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FINANCIAL TIMES

World Business Newspaper http://www.FT.com

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Peter Drucker on the information that executives need - an extract from his forthcoming book leads part 11 of the FT's 12-part series on the I in IT

WORLD NEWS

Banks join forces to offer online trading guarantees

International banks are preparing to offer financial guarantees for companies trading over the internet, an initiative that should help encourage large-scale electronic commerce. Page 18; Visa concern over net fraud, Page 4

India missile test 'defensive'
India's fragile coalition government test-fired a medium range ballistic missile in what its prime minister described as "a purely defensive step". Page 18

Iran sex charge man bailed
Helmut Hofer, the 57-year-old German businessman imprisoned in Iran accused of sexual relations with a Moslem woman, was released on bail of DM300,000 ($164,835). It concided with Germany's announcement that Iran's President Mohammad Khatami was to visit Germany.

Algeria fears closed game
Mahfouth Nahnah, head of Algeria's largest legal Islamist party, has fallen back into line to support Abdelaziz Bouteflika, former foreign minister, in Thuraday's presidential election amid promises of government seats. Mr Nahnah was refused candidacy. Page 4

Independent is Tokyo governor
Tokyo voted unequivocally for change by selecting independent Shintaro Ishihara as new governor by a clear margin. Page 4

Takeover rules on track
Controversial plans to harmonise European takeover regulations could be agreed as early as June in spite of strong British objections, according to diplomats in Brussels. Officials hope that compromise amendments put forward by Germany will break the deadlock. Page 3

Schröder set to be SPD chief
Gerhard Schröder, chan- cellor of Germany, will today receive a boost to his authority in his governing Social Democratic party as delegates elect him as the new chairman. The vote follows the surprise resignation of Oskar Lafontaine. Page 3

Mergers spur expansion
European pension fund managers are expanding faster than ever, largely as a result of a flurry of mergers and acquisitions, according to a report to be published today. Page 3

Tunnel may be shut for year
The road tunnel under Mont Blanc linking France and Italy looks set to be closed for at least a year as a result of the fire in which 40 people died. Page 3

Pakistan in bonds pledge
Pakistan will not try to buy back its sovereign international bonds, despite deadlock over how to restructure them. Page 4

Hakkinen in Grand Prix victory
Finland's Mika Hakkinen won the Brazilian Grand Prix on Sunday, giving McLaren its first victory of the Formula One season. Germany's Michael Schumacher of Ferrari finished second.

BUSINESS NEWS

Japanese regulator declares Kokumin Bank insolvent

Kokumin Bank became Japan's first regional bank to be declared insolvent by the Financial Reconstruction Committee since financial reform legislation was passed. Its is seen as a sign that Japan's banking woes are far from over despite the injection of Y7,450bn ($62bn) of public funds into 15 banks. Page 19

Goldman Sachs is expected to sign a memorandum of understanding today to become the biggest shareholder in South Korea's Kookmin Bank, paying $500m for a nearly 20 per cent stake. The US bank will also name John Browne, chief executive of BP Amoco, and James Johnson, former head of US mortgage giant Fannie Mae, as its first outside directors when it goes public. Page 19

Strafor Facom, the French tool and car components group, faces a bitter struggle after rejecting a bid last week by Fimalac, the holding company controlled by Marc Ladreit de Lacharrière. Page 22

Associates First Capital, one of the largest consumer lending and leasing companies in the US, is reorganising its international assets following its acquisition of the Avco consumer lending business from Textron. Page 24

Coca-Cola has pledged to proceed with its planned FFr5bn (€762m, $821m) acquisition of Orangina, the French maker of sparkling orange drinks owned by Pernod Ricard. Page 24

HJ Heinz is said to have had interest in its Weight Watchers International slimming classes business from more than 20 potential buyers. Page 19

Banque Nationale de Paris, which is bidding for rivals Société Générale and Paribas, is to complain to regulators about "unfair" behaviour by its targets. Page 22

Advent International and Apax Partners, the venture capital groups, are leading a $72m equity investment in Jazztel, a Spanish telecoms start-up concern. Page 20

Xoom.com, the US-based internet community site, is in takeover talks – a sign of the increasing pace of consolidation in the internet business. Page 23

Telefónica of Spain says it has got to grips with Sao Paulo's telephone system, seven months after taking over the state's snarled network. Page 24

Argentina's Central Bank is seeking to put together a rescue package for Banco Mendoza, which has been hit by a series of runs on deposits. Page 22

World Equity Markets

The latest trends and data from more than 50 national markets at a glance

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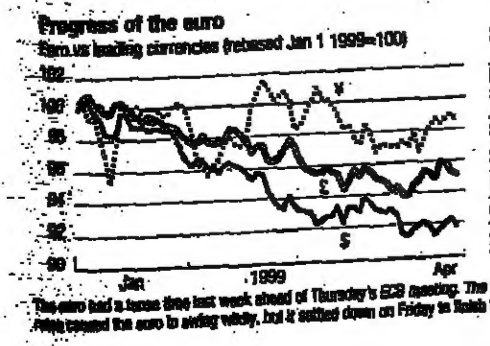
Progress of the euro

Euro vs leading currencies (rebased Jan 1 1999=100)



Euro exchange rates	
Dollar	1.0777
Yen	130.50
Sterling	0.6712
Swedish krona	8.9282
Danish krone	7.4323
Greek drachma	324.25
Swiss franc	1.6004

The euro had a tense time last week ahead of Thursday's ECB meeting. The larger than expected cut in interest rates caused the euro to swing wildly, but it settled down on Friday to finish the week little changed.

Euro-zone, Page 27

White knight may join Telecom Italia fight

Bernabe looking for outside bidder to thwart Olivetti's €60.4bn hostile bid

By Paul Betts in Turin

Telecom Italia is considering inviting another company to rescue it from the unwanted €60.4bn hostile bid from Olivetti, its smaller Italian rival.

The privatised telecommunications group is looking at possible rescuers after the collapse on Saturday of its initial defence plans in Europe's largest post-war takeover battle.

British Telecommunications, Deutsche Telekom, Telefonica of Spain and SBC, the Texas-based telecoms group, are widely seen as potential "white knights".

Telecom Italia failed to gather the necessary quorum of at least one third of its voting capital to hold the long-awaited shareholders' meeting in Turin to approve the company's response to the Olivetti bid.

Although the group said on Friday that holders of at least 33.5 per cent of its voting shares had registered for the meeting, only 22.3 per cent showed up.

Franco Bernabe, chief executive and architect of the original plan, dismissed suggestions he might resign and said he would fight on.

At an emergency meeting the group's board instructed Mr Bernabe to study all options to maximise the value of the company to shareholders.

Telecom Italia will not go ahead at this stage with its original defence plan which included a plan to call another shareholders' meeting later this month to approve the €22.9bn acquisition of the 40 per cent of shares it does not hold in its Telecom Italia Mobile (TIM) cellular telephone subsidiary.

However, Olivetti, which currently has a market capitalisation of about €8.4bn, could itself face the possibility of a counter-bid.

A bid would restrict Olivetti's room for manoeuvre just as Telecom Italia has been restricted in the past weeks under the interpretation of new Italian takeover rules by Consob, the stock exchange regulator.

A white knight strategy, on the other hand, could fall foul of the Italian government which holds a golden share that would allow it to block a foreign takeover of the privatised company.

It might feel impelled to block a foreign takeover of what the government considers Italy's national champion.

But the eventual entry into the fray of by a large European telecommunications group risks leading to a confrontation between Italy and the European Commission, should the government decide to resort to its golden share.

Telecom Italia criticised the government, the Bank of Italy and Consob on Saturday for what it felt was a stance favourable to Olivetti.

The government, with a 3.4 per cent stake, and the central bank, with a 2.3 per cent holding, failed to attend the meeting on the grounds that they wanted to maintain a neutral position in the takeover battle.

Guido Rossi, a former chairman of both Consob and Telecom Italia and one of the group's main legal advisers, attacked the stock exchange watchdog for allowing Olivetti to proceed with its bid even though it had yet to approve its formal offer prospectus.

But Italian small investors and funds also failed to show up at Saturday's meeting, as did UK and US funds, which hold about 37 per cent of Telecom Italia shares.

They were believed to oppose Telecom Italia's plans to convert its non-voting savings shares into common voting stock which would have diluted their stakes.

Lex, Page 18

An anti-Nato protester throws a rock at riot police outside the Aviano air force base in northern Italy Reuters

Nato to stress resolve over air strikes on Yugoslavia

By Alexander Nicoll in London and Stephen Fidler in Washington

Nato allies will today underline their determination to continue the campaign of air strikes against Yugoslavia, but will reiterate their opposition to launching a ground invasion.

Foreign ministers of the 19 alliance members are meeting in Brussels to review the 19-day-old operation and reaffirm their common purpose to destroy the military machine of Slobodan Milosevic, the Yugoslav president. "There is no intention to change the goals or the strategy," a British official said.

The US administration is facing growing calls to deploy ground troops to end the plight of up to half a million ethnic Albanians believed to be living in desperate conditions in the hills of Kosovo to escape Serbian forces.

Strobe Talbott, deputy US secretary of state, said plans for a ground force drawn up last year could be "taken down off the shelf and updated at any time the commander in chief [President Bill Clinton] decides that's necessary.... For the time being, we have a set of objectives... and an air campaign which is going to continue and intensify and we think is sufficient to achieve those objectives," Mr Talbott said on the CBS television programme *Face the Nation.*

Nato's present plan is to send in a 30,000-strong peacekeeping force after hostilities are over, for which 12,000 troops have been assembled in Macedonia, to secure the return of 1.5m Kosovar Albanians to their homes.

Robin Cook, UK foreign secretary, said it would take two to three months to assemble a force sufficient for a hostile move into Kosovo.

Those advocating ground forces were talking glibly and should be honest about the likely casualties, he said.

The intention to step up the air campaign was underlined by a weekend decision to send 82 more US warplanes: 24 F-16 fighters, four A-10 tankbusters, six EA-6B Prowlers and 48 tankers and transport aircraft. Britain is sending the aircraft carrier Invincible to the Ionian Sea with seven Sea Harrier fighters and 10 helicopters. Twenty-four US Apache helicopters began arriving in Albania with support troops over the weekend and William Cohen, US defence secretary, said: "There might be more in the future."

The new deployments bring the number of aircraft assigned to the campaign to about 700, of which 480 are American.

Nato said its campaign had been again hampered by poor weather and by restraint because of orthodox Easter. It sent up seven "packages" of aircraft but cancelled a further three because of the weather.

Nato officials showed an aerial photograph of a site in Kosovo with earth turned over in a manner similar to mass graves found in the past in Bosnia, although they said confirmation would have to await closer inspection.

In Belgrade yesterday, prominent Serb opposition journalist Slavko Curuvija was shot dead, colleagues said.

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Defence stocks, Lex, Page 18

Compaq's profits warning set to hit high-tech stocks

By Andrew Edgecliffe-Johnson in London

US markets are braced for a fall in high-technology stocks when trading resumes today following the bruising profits warning issued late on Friday by Compaq, the world's largest personal computer maker.

Compaq delivered its warning that first-quarter earnings would be 15 cents per share – less than half the 31 cents expected by Wall Street – just after the close of normal trading on Friday.

Compaq, blaming lower than anticipated demand and increased competitive pricing in the personal computer sector, said it expected to report revenues for the quarter of $9.4bn.

In after-hours dealing its shares fell by 16 per cent to $26, and other prominent technology stocks including Dell, Intel and Microsoft were caught up in the shift in investor sentiment.

Analysts predicted that the Nasdaq index, which is dominated by technology companies, would be knocked off the record high it reached on Friday.

The Dow Jones Industrial Average, whose components include International Business Machines and Hewlett-Packard, is also likely to be affected in the short term, they said.

But they were divided about how much longer-term damage Compaq's warning would do to broader investor sentiment in the US and internationally.

PC sales have been largely responsible for the rise in technology stocks, which has in turn supported the record-breaking performance of the three big US stock market indices.

Ashok Kumar, technology analyst at Piper Jaffray, said: "In the short term, there is a lot of concern and a lot of scepticism. You will see some trading down in sympathy, but I think sanity will prevail when Intel reports."

Intel, the world's largest semiconductor manufacturer, is expected to report tomorrow that its first-quarter earnings rose from 81 cents a share to $1.10. The group is seen as a better bellwether than Compaq, where "a lot of the problems are company-specific", Mr Kumar said.

James Cramer, a hedge fund manager and co-owner of TheStreet.com, the online newssheet, said: "These problems are peculiar to that subset of tech which is personal computers. They do not extend to the web, or to networking, or to bandwidth, the prevailing themes that were working in the market."

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Chicago · Los Angeles · Tokyo · Hong Kong

Euro-zone target price €2.15. Prices in local currency as shown

Bahrain	Din1,300	Iceland	IKr285	Oman	OR1.75
Belgium	BFr90(€2.23)	Italy	L3900(€2.01)	Poland	Zl 10.00
CIS	US$4.00	Jordan	JD1.75	Portugal	Esc320(€1.60)
Croatia	Kn18.00	Kuwait	KWD0.750	Qatar	QR13.00
Denmark	DKr16.00	Latvia	Ls1.65	South Africa	R18
Estonia	EKr34.00	Lithuania	Lt21.00	Spain	Pta325(€1.95)
Finland	FmK13.00(€2.19)	Lebanon	LBP3,500	Sweden	SKr20.00
France	FFr14.00(€2.13)	Luxembourg	LFr90(€2.23)	Switzerland	SFr3.60
Gibraltar	£0.85	Morocco	Dh18.00	Syria	S£80.00
Greece	Dr500	Netherlands	Fl 4.80(€2.18)	Tunisia	Din2.000
Hungary	Ft380	Norway	NKr18.00	UAE	Dh13.00

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WORLD NEWS
KOSOVO CRISIS

NEWSPAPER PROPRIETOR GUNNED DOWN SLAYING SENDS SHOCKWAVES THROUGH SERBIAN OPPOSITION

Milosevic critic murdered in Belgrade

By Guy Dinmore in Belgrade and Stefan Wagstyl in Tirana

One of Serbia's most outspoken critics of Yugoslav President Slobodan Milosevic was shot dead yesterday by unidentified gunmen as he entered his Belgrade apartment.

Reporters at the scene quoted witnesses as saying Slavko Curuvija, a newspaper proprietor, was shot repeatedly in the back of the head by at least two men. His partner, Branka Prpa, was also hit and later alerted the police.

Mr Curuvija was the owner of Dnevni Telegraf, a daily newspaper, and the European, a fortnightly magazine. Both publications moved their operations outside Serbia last year after incurring heavy fines by Belgrade courts for articles attacking the government.

Last month Mr Curuvija was given a five-month jail sentence for slandering Milovan Bojic, Serbian deputy prime minister, in an article about the murder of a doctor in a Belgrade clinic run by Mr Bojic. Mr Curuvija was free, pending appeal, and at his last press conference he described the regime as sick and called on the Yugoslav parliament to remove the government. Failing that, he said, the Serbian people should do it.

The murder of Mr Curuvija sent shockwaves through the Serbian opposition and independent journalists who have already decided to keep silent, either out of a sense of patriotism or pure fear, following Nato's air campaign against Yugoslavia.

In a separate development, Steven Pratt, an Australian aid worker, who had not been seen since he was detained while trying to leave Yugoslavia on March 31, appeared on state television yesterday saying he had been gathering intelligence on Nato's bombing campaign and apoloigising for harming Yugoslavia.

Meanwhile Serb forces yesterday shelled Albanian villages on the mountainous Kosovo-Albanian border, as fighting between the Serbs and guerrillas from the Kosovo Liberation Army entered its third day.

The incident, which is increasing tension between the two countries, started on Friday when Serb soldiers apparently encircled a group of KLA fighters, some of whom walked into a minefield on the border, according to the Organisation for Security and Co-operation in Europe, which monitors the frontier from the Albanian side. Four KLA men were reported killed and four injured, either by gunfire or exploding mines.

Serbs fired 120mm mortar shells at hamlets just inside the Albanian border and at the village of Tropoje 7km from the frontier, said Andrea Angeli, the OSCE spokesman in Albania. Two Albanian civilians were killed in the attack on Tropoje according to the OSCE.

The KLA claimed to have captured Koshare and Batushe, two villages inside Serbia.

Tanjug, the Yugoslav news agency, reported that a terrorist attack from Albania had been repelled.

Serb forces and the KLA have exchanged fire in the area several times before. On the Albanian side, the area is home to at least two KLA training camps and this section of border is frequently crossed by KLA units moving in and out of Kosovo.

International fears increased about the fate of ethnic Albanians in Kosovo, especially tens of thousands of people who had been queuing at the Albanian and Macedonian borders before they were herded away by Serb forces late last week. Ilaz Ramajli, the unofficial Kosovo government's representative in Tirana, said yesterday: "We are very frightened about what might have happened to these people."

Israel torn over stance on bombings

By Judy Dempsey in Jerusalem

When Jacob Weinstein talks about Nato's bombing campaign in Serbia, he closes his eyes as if recalling the days of the second world war, when he spent much of his childhood in a concentration camp.

"We should not be bombing the Serbs," said Mr Weinstein, a Polish-born Jew who settled in Israel after 1948. "They saved the Jews during the war."

When Nato started its bombing campaign nearly three weeks ago, Benjamin Netanyahu, Israeli prime minister, and Ariel Sharon, foreign minister, refrained from criticising Slobodan Milosevic, president of Yugoslavia, or supporting the Nato action.

Instead, they recalled Serbia's wartime record towards the Jews, praising its role and disregarding how the Chetniks, a nationalist minority initially supported by the Allies, collaborated with the Nazis, showing little mercy to Jews.

As Nato's campaign continues and the refugee crisis shows no sign of abating, Israel's stance has evolved into a policy that has miffed the US, pleased the Russians, and increasingly angered an Israeli public shocked by the scale of the refugee crisis and its government's ambiguous stance.

For some, like Mr Weinstein, the refugee crisis is a reminder of the Holocaust. For others, it reminds them of the tens of thousands of Palestinians forced to flee during the Arab-Israeli war in 1948 which led to Israel's statehood.

Mr Sharon believes that if the Kosovo Albanians achieve independence, this will eventually lead to a greater Albania. In comments to Israeli Radio last week, he raised the spectre of an Islamic Albania. He said it could become "a focus for extremist Islamic terror that will spread in Europe".

"It's really hard to defend my foreign minister," said an Israeli diplomat. "I have no idea what Sharon or Netanyahu are trying to achieve. Their attitudes almost verge on paranoia. We are disgusted."

Mr Netanyahu's office said Mr Sharon's remarks "were his own private opinion", yet his advisers privately agreed with the foreign minister. "Iran is backing the Kosovo Albanians," said an official.

US officials are furious with Mr Sharon. When Madeleine Albright, US secretary of state, met Mr Sharon in Washington at the weekend, she spoke her mind. "Israel has been less than supportive of Nato's policy," said a US official. "Yet when we bombed Iraq, the Israeli government could not get enough of it."

In Russia, however, Mr Sharon's remarks have been welcomed by the foreign ministry, which "registered satisfaction". Such praise comes on the eve of Mr Sharon's visit to Moscow today, his second call in a month, which is aimed at boosting economic ties, discussing Russia's transfer of technology to Iran and Russia's renewed policy of selling arms to Syria. But underlying the visit, according to Israeli diplomats, is shared misgivings about what Nato is doing in Serbia, which both countries believe could serve as a precedent.

Russia, for example, fears Nato could come to the defence of one of its breakaway republics. Israeli officials fear the Nato precedent of "interference in a sovereign state", and its support of Moslems, could boost the confidence of Palestinians and even Israel's Palestinian population, who might one day consider autonomy.

Serbs feel hatred and bewilderment

Despite being determined to fight, many are starting at least to consider solutions to end the war, writes Guy Dinmore

The simple three-room, wood and brick cottage with well and pig-sty has been a happy home for the Stevanovic family for two generations.

The daily rhythm of life in their village of Batajnica, on the edge of Belgrade between an Orthodox church and the fertile shores of the Danube, is, however, no longer dictated by the sun but by the wail of air raid sirens.

For Batajnica lies next to Serbia's main military airport and the near nightly raids send residents down into their cellars until the all-clear that allows them to emerge again. The heavy detonations have shattered their windows and killed their pig. But they refuse to move.

"I don't have another house and I won't leave this one until the last day," said Predrag Stevanovic, offering the usual Balkan fare of black coffee and cigarettes to his guests.

When the bombs first fell, the reaction of the Stevanovic family was one of defiance and outrage. They rushed outside to take pictures of cruise missiles streaking like fireballs across the night sky and then on to the airbase to offer help.

"In three days the Russians will be here to help us," Mr Stevanovic predicted confidently at the time, encouraged by expressions of Slav solidarity given prominence on state media. Foreign troops would never be allowed to enter Kosovo, he said, and besides, Serbia was winning the war, shooting down one Nato aircraft after another.

"Better to fight than capitulate. Better a grave than a slave," goes a Serb proverb.

Two weeks later, the Stevanovic family, thanks to the precision bombing by Nato (in Belgrade at least), are still alive, as generous as ever to foreign guests and just as determined to tough it out. But they are also more street-wise in their analysis of what state media are telling them and now have an inkling that Serbia risks losing Kosovo for ever.

The Stevanovic family shares the sense of bewilderment of most Serbs at being bombed by the countries that Serbia fought alongside in two world wars, at huge losses to the nation.

Mrs Stevanovic recalls that her father helped shelter American pilots downed by German occupation forces.

Now she says she would strangle one of them.

Poor, without regular work and unable even to pay their electricity bills, they have no access to any information other than that provided by state media.

They have no understanding of the brutality of the war in Kosovo and the atrocities committed by both sides.

They believe Serbian television when it tells them the ethnic Albanians have flooded across Kosovo's borders to escape Nato bombing raids.

They refuse to believe that the Nato peacekeepers the west wanted to deploy would have been there to disarm the rebel Kosovo Liberation Army.

Mrs Stevanovic now admits she does not believe the official claims of numerous Nato jets shot down, without any evidence to back them up, except for one F-117 stealth fighter. Her main source of information now is a network of family and friends across Serbia who telephone daily.

They long for a return to normal life. If the west guaranteed that Kosovo would remain part of Yugoslavia then perhaps a few thousand international peacekeepers would be acceptable, she says, but not the 30,000 Nato troops as originally proposed.

Such views may be gaining ground. Long-time watchers of Yugoslav President Slobodan Milosevic say Serbia's strongman could still survive in power and yield to much of Nato's demands if given sufficient guarantees about Kosovo's long-term status as a part of federal Yugoslavia.

> 'It will be worse than Vietnam for them. There is a big anger now, a lot of hatred'

"The immediate reaction among Serbs if Mr Milosevic called an end to the war would be one of relief that the war was over," said one veteran Serb journalist.

The Stevanovic family has never voted for Mr Milosevic, preferring monarchists to ex-communists, but like many Serbs they say this is the time for the country to unite in the face of foreign aggression.

"You must understand that we have to defend ourselves. Tell the world we will fight anyone," said Mr Stevanovic. "The greatest joy for a Serb is to have a son, but I'd be happy if he went to fight in Kosovo."

His 20-year-old son, Dragan, spent much of last year trying to find a way out of his compulsory military service as the war against ethnic Albanian rebels in Kosovo province worsened by the week. Now he is ready to go at a moment's notice.

His mother, Sanja, stresses they have nothing against the Kosovo Albanians as such and indeed they share their neighbour's cellar with an Albanian family that lives in the same street. But for them, Kosovo, with its Orthodox monasteries and churches, is the religious soul and historical heartland of the Serbian nation, and the peace deal that the western powers is trying to force upon Mr Milosevic was just one step away from independence.

Hopes soared when Mr Milosevic last week announced a unilateral ceasefire in operations against the KLA rebels and reports that Serbia would release three captured American servicemen in a gesture of goodwill for Orthodox Easter. But Nato's instant rejection of Belgrade's overtures hardened attitudes, especially after more than 20 civilians were reported killed by Nato missiles within two days.

"All men here are praying for Nato to come on the ground so we can fight and inflict great losses on them," said Mrs Stevanovic.

"It will be worse than Vietnam for them.

"There is a big anger now, a lot of hatred."

Congress target for political offensive

By Stephen Fidler in Washington

The Clinton administration yesterday began a domestic political offensive with the aim of convincing a returning Congress that Nato's air campaign in Kosovo will succeed if given time. But it said plans drawn up by Nato about committing ground troops could be quickly updated if that proved necessary.

As lawmakers return today after a recess, an intense debate is expected over whether the US should begin planning to send in troops. One group of lawmakers has been accompanying William Cohen, US defence secretary, on a tour of Europe and another will be returning after consulting constituents.

Some of those who accompanied Mr Cohen argued strongly at the weekend that plans needed to be drawn up to commit ground troops. John McCain, the Republican senator from Arizona who is running for the presidency, said he would like to see bipartisan resolutions in the Senate and House "that authorises the president to use all means necessary" – including ground troops – to prevail in the conflict.

The other eight legislators, Democrats and Republicans, who accompanied Mr Cohen also pressed the president to start drawing up plans for a ground war. Joseph Liebermann, Democratic senator from Connecticut, said planning for a ground war was needed "first, because we may have to use that option, and secondly, we want Milosevic to know that we're not going to stop with the air war if that doesn't work".

But John Podesta, White House chief of staff, told NBC's Meet the Press programme: "The president does not have the intention to use ground troops. We believe the air campaign can and will work."

However, he said Nato made an assessment in the autumn of sending in troops in a hostile environment "and those plans and assessments could be updated quickly if we decide to do that, need to do that".

This message was reinforced by other senior officials. Strobe Talbott, US deputy secretary of state, said: "Last year, even, there were careful assessments done of a whole range of options. Those are on the shelf. They can be taken down off the shelf and updated at any time that the commander-in-chief [President Clinton] decides that's necessary," he told CBS television's Face the Nation.

"But for the time being we have a set of objectives...and an air campaign which is going to continue and intensify and we think is sufficient to achieve those objectives." The administration also fielded General Wesley Clark, the Nato supreme commander, for yesterday morning's political talk shows. Asked about ground troops, Gen Clark told NBC: "At this point I think the air campaign has a long way to go. I think it's showing that it can be effective and that it's becoming increasingly effective and more intense. I think we need to give the air campaign a chance to do its work, and I wouldn't want to speculate on anything beyond that."

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Congress target for political offensive

EUROPE

HARMONISATION PROPOSAL AMENDMENT COULD BREAK DEADLOCK ON LEGISLATION

Takeover rules on track for agreement in June

By Emma Tucker in Brussels

Controversial plans to harmonise European takeover regulations could be agreed as early as June in spite of strong British objections, according to diplomats in Brussels.

Officials hope that compromise amendments to the European Union's takeover directive put forward by the German government will break the deadlock on the legislation, stalled for more than 10 years.

The rewritten draft includes a new clause designed to appease UK concerns that the law would threaten Britain's non-statutory system for regulating bids.

Well over half of all takeovers in the EU take place in the UK, and many international merger and acquisition specialists are based in the City, London's financial district. But Britain had argued that although the directive was modelled on the *City Code on Takeovers and Mergers* and would not require the UK to change its system, incorporating it into British legislation would result in nuisance litigation designed to frustrate or kill off bids.

However, the German compromise includes a clause which states that the directive "does not affect the power of member states to regulate whether and under which circumstances parties to the bid are entitled to bring administrative or judicial proceedings.

"In particular, this directive does not affect the power which courts may have in a member state to decline to hear legal proceedings and to decide whether or not such proceedings affect the outcome of the bid."

In return, the UK would have to accept a system of split jurisdiction for certain takeovers.

This would give member states where takeover targets were listed, but not registered, the right to supervise certain aspects of the deal.

City of London representatives are worried that the proposed changes will be unworkable.

However, the UK may have to go along with the compromise, as the legislation requires only the support of a qualified majority of EU member states in order to become law.

The law already has the support of enough member states but Germany, which holds the EU's rotating presidency, did not want the UK to vote against it, in recognition of the number of bids and deals which take place in Britain.

Critics say that joint jurisdiction would be messy, particularly as the legislation does not specify which regulator would call the final shot in a disputed procedure.

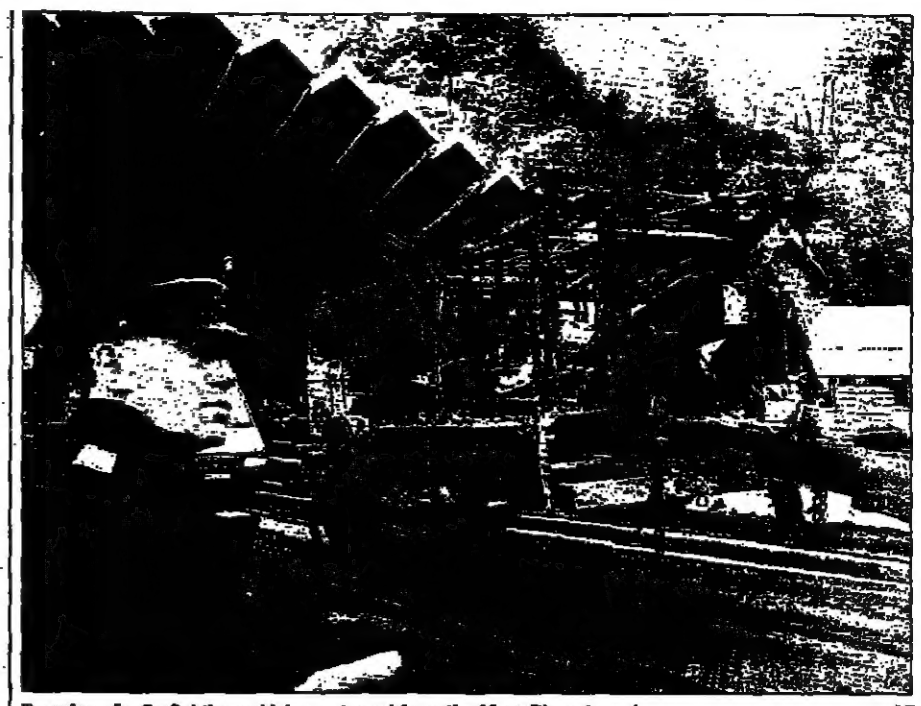
However, bids for companies that are incorporated in one country, but not listed in that country, are extremely rare, according to City experts.

EU officials argue that joint jurisdiction is thus a small price for the UK to pay.

The proposals are expected to be presented to internal market ministers at their meeting in June.

Germany will push hard for an agreement at this meeting.

The European Commission has not so far endorsed the German compromise, as some other member states are unhappy about the changes.



Remains of a firefighting vehicle are towed from the Mont Blanc tunnel AP

Mont Blanc tunnel may be shut for year

By Robert Graham in Paris

The vital road tunnel under Mont Blanc linking France and Italy looks set to be closed for at least a year as a result of the disastrous fire last month in which 40 people died.

The extended closure of the principal transalpine road route between France and Italy is expected to have much more serious repercussions on the haulage business than first thought. In the immediate aftermath of the March 24 fire, road hauliers believed normal traffic would be resumed within a month.

The French ministry of transport in recent days has begun to admit the shutdown will be for "a long period". Officials in private say the closure could well last more than 12 months as they prepare to receive today a preliminary report on the cause of the fire, which took 53 hours to control.

Before the fire the single-gallery 11.6km Mont Blanc tunnel, opened in 1965, was handling 12.7m tons of the 25m tons of goods carried through the Alps by road between France and Italy. The remainder was being handled by the more modern Fréjus tunnel.

The bulk of the Mont Blanc freight traffic is now using the Fréjus tunnel. As a result the daily flow of trucks and light vehicles through this route has doubled. Although the 12.8km Fréjus tunnel has the capacity to absorb this extra traffic on a temporary basis, the ministry of transport is about to introduce safety measures which will reduce the flow.

After a visit last Thursday to the Fréjus tunnel, Jean-Claude Gayssot, French transport minister, said he would introduce a tariff system to penalise peak period use. Officials say this will mean higher tariffs on the "heavy use" days of Wednesday and Thursday and incentives to switch to off-peak times. The ministry has also pledged to impose traffic flow restrictions by reducing the current speed limit to 70kmh from 80kmh and raising the required distance between all vehicles to 100m. This will mean only 140 trucks will be able to go through from France to Italy each hour, according to the FNTR, the French road transport federation.

While accepting the need for heightened tunnel security, the FNTR is concerned these restrictions will create huge queues of lorries waiting to enter the tunnel and further increase the time of journeys. Already hauliers switching from Mont Blanc to Fréjus claim each journey has been increased by an average of 90 minutes.

This week the FNTR will begin lobbying to have the hourly flow of trucks from France to Italy via Fréjus raised to 200, accompanied by measures to ensure the waiting time to enter the tunnel is kept to a minimum. The FNTR also plans to press the government to raise with the Swiss authorities their current limit on the size of trucks transiting the country to 28 tons. French road hauliers claim this restriction means at least 460,000 lorries are diverted via France.

The government is unlikely to unveil a full set of policies until the safety implications of the report into the Mont Blanc fire have been fully studied.

Schröder set to be SPD chairman

By Haig Simonian in Berlin

Gerhard Schröder, chancellor of Germany, will today receive a boost to his authority in his governing Social Democratic party as delegates elect him as the new chairman.

The vote follows the surprise resignation last month of Oskar Lafontaine. The departure of Mr Lafontaine, a maverick leftwinger who had unsuccessfully challenged Mr Schröder to become the SPD candidate for the chancellorship before last year's general elections, has strengthened Mr Schröder's position in both the party and government.

It will be only the second time in the SPD's postwar history that one individual has combined the jobs of chancellor and party chairman. Some observers believe Mr. Schröder will use his new position to streamline the SPD's decision-making apparatus and concentrate power in the chancellery.

However, Mr Schröder's likely triumph at a special party congress in Bonn could be marred by sharp differences over the government's policy on Yugoslavia.

Leftwingers and pacifists among the 500 delegates have demanded a debate on the Kosovo crisis and Germany's participation in Nato military strikes. Although Mr Schröder should be elected to the chairmanship with a comfortable majority, the Kosovo debate could expose deep divisions.

SPD leaders were last night putting the finishing touches on a resolution for today's debate. The motion is expected to support Mr Schroder's coalition of Social Democrats and environmentalist Greens, which has offered Nato German military help. However, attempts by the party leadership to present a common front have not stifled opposition from prominent leftwingers. Many have demanded a stop to Nato bombing and return to the negotiating table.

PENSION FUND MANAGERS INDUSTRY SEES SPIRALLING GROWTH

Mergers spur expansion

By Jane Martinson, Investment Correspondent

European pension fund managers are expanding faster than ever, largely as a result of a flurry of mergers and acquisitions, according to a report to be published today.

About a quarter – 23 per cent – of the 173 fund managers analysed in the study by William Mercer, the employee benefits consultancy, were involved in mergers or acquisitions in the year to June 1998.

This activity, combined with rising markets and new business in a fast-growing industry, helped the number of managers with more than $100bn in assets increase from 22 to 35 in the year.

Mercer has estimated that the world's top five asset managers now control funds as large as the gross domestic product of the UK and France combined.

The top 35 manage $8,200bn, rivalling the GDP of the US.

Julia Hobart, head of Mercer's manager advisory services and editor of its annual European pension fund guide, said the speed of the industry's growth was surprising.

"I was amazed at just how big organisations had got," she said.

Much of the growth comes from companies expanding out of their home areas. More than two-thirds of the 39 mergers in the year were cross-border, reflecting the trend for fund managers to operate globally.

The average number of offices per company also rose from 2.4 to 2.7, with a fifth of companies operating in five or more countries.

The number of investment professionals employed had also jumped 57 per cent in the year, mainly from the growth of foreign offices. In 1997 staff numbers rose 20 per cent.

The greatest consolidation was not among the world's top five managers – Fidelity, Barclays Global Investors, State Street, Capital and CDC – but among the next level of companies.

The study of managers in 23 countries with assets of $1,300bn also shows that index-tracking management (buying and selling shares according to their weighting in various stock marekt indices) has increased in Europe. The UK saw the steepest increase, with some 22 per cent of pension fund assets now managed on this passive basis compared with 16 per cent a year before. In continental Europe, index tracking rose 28 per cent from a fairly low base. On average less than 4 per cent is indexed in most continental European markets.

The research also shows that European pension funds are investing more in equities, with the sole exception of the UK, which has had a much higher weighting in shares historically. The greatest shift has come from Spain and Portugal, where the amount of shares bought in other European companies has risen by 3.2 percentage points to 7.2 per cent and 6.2 per cent respectively.

European Pension Fund Managers Guide, William Mercer, tel: 44- 171 963 3168

Independent chosen as Tokyo governor

By Michiyo Nakamoto in Tokyo

The citizens of Tokyo yesterday voted unequivocally for change by selecting Shintaro Ishihara as their new governor.

In a hotly contested battle that attracted the highest voter turnout in more than two decades, Mr Ishihara, standing as an independent, won by a clear margin over his competitors, who were supported by leading political parties.

The outcome of the Tokyo election reflects a weariness with ineffective politicians and a deep-felt need for strong leadership among the citizens of Japan's troubled capital.

"To change Japan, let's start by changing Tokyo," has been Mr Ishihara's campaign call. The man who co-authored the controversial best-seller, *The Japan That Can Say No*, also promises to say "no" to the central government on a wide range of issues.

Faced with a ballooning deficit, looming deflation and serious social and environmental problems, Tokyo residents chose their governor for his perceived ability to act on his promises rather than for the exact contents of his proposed reforms, analysts said.

A controversial figure known for his nationalistic views and dislike of the US-Japan security treaty, Mr Ishihara is expected to be an irritating presence for Japan's ruling Liberal Democratic party, whose candidate, Yasushi Akashi, fared poorly in the race.

Although he is a former member of the LDP, transport minister and head of the environment agency, Mr Ishihara's victory will continue to embarrass and trouble the LDP.

His victory owes much to his widespread popularity among the LDP's own parliamentarians and party faithfuls, who chose to support him over Mr Akashi.

Although Hiromu Nonaka, chief cabinet secretary, has been careful to point out that the result of the Tokyo election would have no direct impact on the LDP secretariat, yesterday's defeat follows a humiliating experience in last year's Upper House elections that saw the ruling party devastated in urban areas.

At the top of Mr Ishihara's list of campaign pledges is his call for the return of Yokota base, occupied by the US military. The issue is bound to pose a headache for the Japanese government, already under pressure over the troubled plan to relocate US military bases in Okinawa, where islanders are upset about the large burden they have to shoulder in housing US soldiers.

If Mr Ishihara continues to raise questions about the validity of the bilateral security alliance, he could not only undermine attempts to win public support for the new legislation but also cause friction with the US.

The governor's authority over affairs that could affect national policy is restricted and the need to win over the national government will limit Mr Ishihara's ability to carry out some of his more radical ideas.

Fears grow of closed game in Algerian poll

Mahfouth Nahnah: has said his party will back Abdelaziz Bouteflika, seen as the army's candidate AP

By Roula Khalaf

Mahfouth Nahnah, head of Algeria's largest legal Islamist party, suffered a painful humiliation a few weeks ago. The constitutional council denied him the right to run for president in Thursday's election on the grounds that he had not taken part in Algeria's war of liberation.

The Movement for a Peaceful Society, Mr Nahnah's party, denounced the decision at the time. He called it a punishment for his party's reluctance to back Abdelaziz Bouteflika, the former foreign minister seen as the army's candidate, and said it was an attempt to manipulate the election by eliminating a rival.

But Mr Nahnah has now fallen back into line. At the end of last week, he put his party's backing behind Mr Bouteflika and traded historical legitimacy for promises of government seats after the election.

Party officials said Mr Bouteflika had more to offer than other candidates since he was more likely to become president.

"We want to play an active role on the political scene and the other candidates want to set up political parties after the election," said Slimane Chenine, an MSP official.

Mr Chenine insisted the support of the MSP, which is part of the current government coalition, gave Mr Bouteflika a ticket to sail through to the president's office on the first round of the vote. But observers in Algiers predicted that, if the real votes were counted on election day, the MSP could find its controversial backing for the establishment candidate was not followed by many of its supporters.

Mr Bouteflika is already backed by the pro-government leaderships of three parties. But in each case, the base of these parties, not consulted on the backing, is expected to split its votes among various candidates. In all, seven political figures are contesting the election.

For those who had come to Mr Nahnah's rescue and backed him by testifying that he had been a *moudjahid* or a freedom fighter, Mr Nahnah's support for Mr Bouteflika came as a cold shower.

"The image of Mr Nahnah meeting those who had humiliated him and touched his honour was painful to me," said Mohammed Yazid, a former official. He told a local newspaper Mr Nahnah's move "confirmed that he was part of the regime and that he is taking part in a closed game that aims to impose a candidate on the Algerian people".

But Mr Nahnah's decision is typical of a political leader who has often posed as a regime opponent but whose interests have always lain in alliance with the ruling establishment.

In the cancelled 1991 elections in which the now banned Islamic Salvation Front (FIS) won a majority of parliament seats, Mr Nahnah's party won a mere 370,000 votes compared with the FIS's 3.2m. Since the FIS was banned, the party which promotes a moderate Islamist ideology has been put forward by the regime as a docile alternative.

In 1995, when Algeria's main parties boycotted the presidential election, Mr Nahnah took part and lent it a pluralist image. He received 25 per cent of the vote.

Respectable scores were recorded by the MSP in subsequent legislative and local elections. Mr Nahnah always denounced the elections as rigged, then happily agreed to have the MSP take part in the government coalition.

India ruling caps good week for US at WTO

Success for trade officials on bananas, but China deal still waiting, write **Nancy Dunne** and **Stephen Fidler**

Last week was an eventful one for the US trade representative, and as Charlene Barshefsky sinks into a chair she is obviously tired.

The week began with a decisive victory at the World Trade Organisation for the US in its banana war with the European Union. It ended just short of a deal between the US and China that would have paved the way to bring into the fold the largest trading nation outside the WTO.

Almost unnoticed was one of the most important victories the US has had before a WTO dispute settlement panel. It ruled that for the first time since 1948, when the global trade system was founded, India can no longer restrict imports on the grounds that it is suffering a balance of payments crisis.

The decision, which is being appealed against by the Indian government, could affect 2,700 tariff categories and would lift tight restrictions on consumer goods, agricultural products, plastics and chemicals. In 1993-94 India permitted imports of fewer than 50 each of microwave ovens, vacuum cleaners and washing machines. It allowed the import of 100 televisions.

"This is a potentially remarkable market," says Ms Barshefsky. "The Indian consumer will be much the beneficiary."

The panel rulings in Washington's favour will give her some much-needed ammunition on Capitol Hill and across the country when arguing the value of the WTO.

It is particularly helpful as the US prepares to host what may be the trade body's most controversial ministerial meeting, in Seattle on November 29.

The India case is also crucial because it is the first time a panel has ruled on a balance of payments case. The "Bop" case, as Ms Barshefsky calls it, underscores the importance of having a global dispute settlement system with "predictable, consistent, enforcement outcomes which can't be subject to vagaries and political processes".

She says she has made similar statements even when the US has lost cases and she has had "to swallow hard and comply".

The case was won with the help of the International Monetary Fund, which in 1997 found that India no longer had a balance of payments crisis, and which also pointed out the need for closer co-ordination between the two international organisations.

"These institutions are going to have to stop thinking of each other as in an isolated box," she says.

However, not everything last week went Ms Barshefsky's way. US officials said she favoured signing a market access deal with China but she and others were overruled by a president, who took the counsel of political and economic advisers, arguing that the deal as it stood would not be backed in Congress.

China cannot be allowed to enter the World Trade Organisation on 'weak and unacceptable terms' which would set a poor precedent for Russia's accession

Ms Barshefsky was not willing to be drawn on the issue. Asked about the view that waiting until later in the year would increase the deal's chance of success on Capitol Hill, she describes it as "an interesting observation".

But she expresses no doubt about the importance of getting China into the WTO – on the right terms.

"Everyone recognises that there is no accession that has even been like this one, and none that will be," she says. China cannot be allowed to enter the WTO on "weak and unacceptable terms" which would set a poor precedent for Russia's accession and that of other former communist countries.

She emphasises the close co-ordination between the US and Europe over China's accession.

"The press always focuses on bananas and beef and all that," she says, speaking of trade disputes with the EU. "But we've been working very closely with Europe on this accession."

She says the banana ruling by a WTO arbitration panel – that the US could proceed with sanctions against the EU for its failure to reform its discriminatory banana import regime – is "very significant".

It may mean the radical revisions of rules contemplated for the dispute settlement system are not actually needed.

The ruling, she says, shows: "If you win, you win."

Editorial Comment, Page 17

Visa concerned at rising net fraud

By Christopher Brown-Humes

Visa, the international payment cards group, has voiced concern over the rising number of frauds and disputes relating to goods and services bought over the internet.

It says that even though the internet accounts for only 1 per cent of its £463bn ($745bn) European Union turnover, nearly half of all disputes and frauds in the region relate to internet transactions.

The trend has alarmed many of the big European banks that issue Visa cards and could damage consumer confidence in e-commerce.

Sandra Alzetta, an electronic commerce specialist at Visa EU, said: "We absolutely have to do something about this. We have to make sure that shopping on the internet is as safe and easy as it is on the high street."

Visa said that some 47 per cent of disputes and frauds were internet-related. Some 22 per cent involved frauds – essentially people saying they did not carry out the transaction – and 25 per cent were other types of complaint. Common complaints included consumers saying they did not get what they ordered, or goods were delivered late, or they did not intend to make a purchase, or they did not recognise the supplier's name.

Visa says all complaints involve significant processing costs for issuing banks – or conceding the case without investigation. This was not sustainable, given predictions of explosive growth in e-commerce.

E-commerce transactions are encrypted, but it is hard to verify that buyers and merchants are who they say they are. That is why Visa is urging a swifter adoption of the Secure Electronic Transaction (SET) protocol and a rapid move towards digital signatures.

"We believe SET is the most secure payment method," said Ms Alzetta. However, use of SET is currently "close to zero", according to one industry commentator.

John McGuire, chief executive of Trintech, a California supplier of secure payment software, said banks had their own infrastructure in place but they needed to deploy it at merchant and consumer level. It was only right that banks took on more of the cost, he said, because of the fees they collected from merchants for processing transactions. He endorsed the view of SET as the way ahead.

Envoy defends Nike's practices in Vietnam

By Jonathan Birchall in Ho Chi Minh City

Pete Peterson, US ambassador to Vietnam, has joined the debate over labour practices at the Nike sport-shoe company in Asia.

During a tour of the South Korean-owned Tae Kwang Vina plant outside Ho Chi Minh City, Mr Peterson stressed the benefits Nike had brought to Vietnam and its workforce. "You have to remember that we are talking about young people who are coming straight from the farms, who are getting the opportunity to train and to learn a new skill," he said.

The ambassador's visit was part of Nike's efforts to show it has taken steps to improve working conditions at the factory. In late 1997, a report by an independent industrial consultant revealed that workers at the plant were being exposed to potentially dangerous levels of toxic chemicals, fuelling an anti-Nike campaign in the US.

Nike Vietnam says it has significantly improved air quality at Tae Kwang Vina and its other sub-contractors in Vietnam, mainly through the replacement of solvent-based adhesives and primers with water-based material. The factory has also sought to improve ventilation and has installed water fountains and new toilet facilities.

Dara O'Rourke, the report's author, welcomed the improvements and said Nike's changes "appear to have significantly reduced worker exposures to toxic solvents, adhesives, and other chemicals". But he noted that workers in some parts of the plant still faced risks from over-exposure to hazardous chemicals, as well as to levels of heat and noise that would be unacceptable under US law. Nike says it will continue to make improvements.

In the past five years, Nike has become the largest shoe manufacturer in Vietnam, accounting for 32 per cent of the country's footwear exports and employing 35,000 workers, of whom most are young, unskilled women. At the Tae Kwang Vina plant, about 10 per cent of the workers receive the minimum legal wage of $40 a month. Vietnam accounts for 10-15 per cent of Nike's total sports-shoe production worldwide.

In another development, Nike has joined US toy-maker Mattel in an attempt to develop independent monitoring of the conditions of its sub-contracted workers. Run by the US-based International Youth Federation, and called the Global Alliance for Workers and Communities, the $10m scheme will initially use local organisations to monitor the concerns of workers at 20-30 factories in Vietnam, Indonesia, Thailand and China.

Pakistan not to buy back bonds

By Farhan Bokhari in Islamabad

Pakistan would not attempt to buy back its sovereign international bonds, in spite of a deadlock over how to restructure them, according to Ishaq Dar, the country's finance minister.

Senior government officials said the decision to abandon the buyback option was intended to pacify the Paris Club of lenders. "Pakistan is determined to follow the Paris Club conditions rather than cause a break," said one official.

Analysts argued that a buyback would have upset Pakistan's relations with the Paris Club, with which it rescheduled $3.3bn of its foreign debt in February.

The minister's statement follows speculation that the country, encouraged by improving liquid foreign exchange reserves, may have tried to buy back its international bonds. Pakistan has floated four sovereign bonds worth $750m.

The future of Pakistani bonds is seen as an important test case for developing countries' debt and may set a precedent for other countries restructuring international debt, analysts say.

Reports of a possible buyback have added to anxieties in financial markets.

Among the Paris Club's conditions, Pakistan was told to restructure its bonds. The club apparently wants the burden of debt restructuring to be shared by lending governments, banks and individual investors.

The move to restructure Pakistan's bonds has been noted in international markets. Analysts say it could be a precedent to be followed by restructuring debts of countries such as Brazil and Russia.

Mr Dar is due to travel to Paris next week to attend the annual Pakistan development forum, a meeting between representatives of an aid-recipient developing country and its western donors, to discuss its development policies. Although the issue of Pakistan's debt restructuring is not on the formal agenda, officials say the minister is likely to discuss it with donor representatives.

Mr Dar said the bond issue remained "floating", suggesting that there was no formal decision yet on how soon and in what manner it could be resolved.

In a related development, Pakistan's liquid foreign exchange reserves edged up to $1.87bn at the weekend, the highest level in more than a year.

NEWS DIGEST

CHINESE CENTRAL BANK

Rural credit agencies told to lend more to farmers

China's central bank governor has told rural credit co-operatives to increase lending to farmers, part of the government's efforts to reflate the economy by reviving demand among the 900m people living in the countryside.

Rural credit agencies should boost lending to grain and cotton producers, but should also make loans available to farmers to let them build houses and buy consumer products, the official People's Daily quoted Dai Xianglong, central bank governor, as saying.

The People's Bank of China, the central bank, has recently extended Rmb15bn ($1.8bn) in loans to rural credit agencies to help them increase lending to farmers finding it difficult to obtain credit.

The efforts to loosen rural credit are designed to raise consumer demand in the countryside, which has slackened as falling farm prices have seen rural income growth slow sharply over the past three years. The co-operatives should "deepen restructuring and improve financial services" to promote operations and help boost farmers' incomes, Mr Dai was quoted as saying.
James Harding, Shanghai

DELAY OVER FINANCIAL AID

Zimbabwe 'to cut ties' with IMF

Zimbabwe's ruling Zanu-PF party says the government will "cut ties" with the International Monetary Fund and World Bank over delayed financial aid, the state-owned Sunday Mail reported yesterday.

The newspaper said Nathan Shamuyarira, industry and commerce minister and the ruling Zanu-PF party's information and publicity secretary, had said the government would seek other ways to fund programmes. The report did not elaborate.

The IMF has withheld $53m in balance-of-payments support to Zimbabwe since last August, demanding transparency in government policies. The fund says it is mainly worried about threats to seize white-owned farmland for redistribution to black peasants, paying only for infrastructure improvements and not for the land. Other donors have indicated they would take their cue from the IMF on whether to release additional financial support, seen as crucial to reviving Zimbabwe's economy.

Barclays Bank Zimbabwe said in a newsletter last month that economic recovery in the southern African country depended on securing long-term assistance from the IMF.
Reuters, Harare

US AIR TRAFFIC CONTROL

System Y2K compliant – FAA

The Federal Aviation Administration yesterday said the US air traffic control system has passed an important public test to see if it can cope with the Year 2000 computer problem.

The clocks on back-up computers in several air traffic control facilities in Colorado were advanced to just before midnight on December 31 to check whether radar, navigation and communications systems would work normally. FAA and airline industry officials taking part in the test said the computers rolled over to 2000 with no obvious errors. "The FAA test should reassure the public that the air traffic control system will be ready for the next century," said Tom Browne, Year 2000 manager for the Air Transport Association, which represents airlines carrying more than 90 per cent of US air traffic. **Reuters, Denver**

APOLOGY FOR GENOCIDE ATTACKS

Rwanda PM seeks forgiveness

Pierre-Celestin Rwigema, Rwanda's prime minister, has asked for forgiveness for his party's role in the 1994 genocide in which about 800,000 people died, Rwandan radio said yesterday. Rwigema's Republican Democratic Movement (MDR) is mainly supported by the country's Hutu majority, which launched the attacks on minority Tutsis.

In a statement on behalf of his party, he asked for "forgiveness from all Rwandans for the divisive ideology of some MDR leaders who transformed themselves into MDR-Power and led the 1994 genocide and massacres.

"The MDR reaffirmed that the ideology of genocide had been the opposite of the MDR's principles of democracy and republicanism," the statement said.

The party said the ethnic divisions in the country that led to the genocide originated from the ethnic segregation that had been taught in schools and "propagated in the administration by colonialists and religious organisations".

The MDR statement came during a week in which the country recalled the events of 1994 which followed the death of its Hutu president, Juvenal Habyarimana, in a plane crash. **Reuters, Kigali**

UK-CUBA TALKS

Havana tries to reschedule debt

Cuba has presented a proposal to Britain for the rescheduling of £17m ($27.4m) of short-term debt owed by Havana to the British government's export credits guarantee department (ECGD).

The Cuban proposal was handed over by Francisco Soberón, central bank president, during a meeting in Havana with Brian Wilson, British trade minister, who ended a three-day working visit to Cuba at the weekend.

If the two sides reach agreement on rescheduling, this will open the way for the resumption of ECGD medium-term cover for British exports to Cuba, withdrawn in 1983.

"I think there is now a very strong dialogue that will yield results," Mr Wilson told reporters, adding that resumption of ECGD cover could be expected to boost British exports to Cuba. Cuban banking negotiators are due to travel to London on April 23 for talks with ECGD officials.

Cuba's total debt arrears to the ECGD, including short-term, are £120m. **Pascal Fletcher, Havana**

PUSH FOR PLEBISCITE ON STATUS

Taiwanese on hunger strike

More than 100 pro-independence politicians and activists launched a hunger strike at the weekend to push for legislation that would allow Taiwan's future status to be decided through a plebiscite.

Organisers waved aside calls for discussions on a proposed plebiscite law, saying about 20 of the hunger strikers would refuse food until agreement was reached on legislation enabling Taiwanese to vote for formal independence from China.

Beijing has vowed to use force to oppose any such declaration of independence and Taiwan's ruling Nationalist party seeks to limit any plebiscite law to issues that do not touch on the island's identity.

While the hunger strikers represent a strand of public opinion in favour of formalising Taiwan's autonomy, a plebiscite would be unlikely to lead to a vote for separation. Opinion polls suggest most voters prefer the current policy of officially pursuing reunification but retaining de facto independence for the foreseeable future.
Mure Dickie, Taipei

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Congress target for political offensive

Mexico sparks talk of monetary union

By Henry Tricks in Acapulco

Mexico has sparked debate about broadening the North American Free Trade Agreement (Nafta) into an eventual monetary union after top officials at the weekend argued in favour of "converging" with the economic policies of the US and Canada.

Battling to fend off pressure from the private sector to dollarise Mexico's economy, José Angel Gurría, finance minister, and Guillermo Ortiz, central bank governor, suggested they would work instead to bring inflation and budget imbalances into line with Mexico's northern neighbours.

Their comments marked the first time either has openly talked about "convergence", the term used for bringing economic indicators into line as in the process of European Monetary Union. It was the buzzword of choice at the Mexican Bankers Association annual conference here.

Bankers saw it as a possible step toward buttressing Nafta, which is the world's largest free trade zone. More immediately, it was aimed at silencing talk that Mexico should adopt the dollar as its currency, a suggestion that has gained momentum since the financial instability in emerging markets last year.

"Convergence opens up for us an avenue of greater certainty to promote economic development. Among many other reasons, that path will be safer because as it advances the importance of the type of exchange rate regime will diminish," Mr Ortiz said.

John Reed, co-head of Citigroup, the US banking giant, championed convergence, urging Mexico to start talks with the US government on the issue. But Mexican officials said because of elections next year in the US and Mexico, neither government wanted to take the political risk of opening negotiations.

Officials said moves towards convergence on economic fundamentals would bolster investor confidence and help Mexico overcome a cycle of economic crises that has plagued it at every presidential election for more than 20 years.

But they admitted the process would take years to complete, because of some Mexican indicators such as inflation, which has begun to decline this year after a peak in 1998. Mr Gurría said he saw inflation, which is targeted at 13 per cent this year, falling to single digits in 2000, lower than the forecast of 10 per cent.

The government was also comfortable with its floating exchange rate. In spite of the strong peso, the trade deficit was revised down last week to $284m in February, its lowest in nine months.

Bankers point out tight fiscal discipline in Mexico has kept the economy largely immune to fallout from Brazil, but the deficit still has far to go to match US and Canadian levels.

Another weak link is the banking industry, which has remained under-capitalised since the 1994 peso crisis, and is lending 60 per cent less than before 1994.

Carlos Gómez y Gómez, head of the Mexican Bankers Association, said Mexican banks needed $5bn in new capital to meet the country's credit needs.

Grupo Serfin may need to raise $1bn, Page 23

Canada banking chiefs to seek reforms

By Edward Alden in Toronto

The chief executives of Canada's six largest banks will today ask Paul Martin, finance minister, to remove the capital tax on banks and allow them to increase their flexibility by establishing holding companies.

The meeting is the first to bring together all the top bank executives and the finance minister since Mr Martin's controversial decision last December to block mergers involving four of the banks.

Ottawa is planning to introduce an overhaul of financial services legislation by early June, and the banks fear the government will maintain most of the current regulatory restrictions and add new ones designed to protect consumers.

Relations between the government and the banks have rarely been poorer. Most bank executives believe Mr Martin rejected the mergers for political reasons, primarily to shore up his future leadership aspirations in the Liberal party.

The chief executives are trying to present a united front on legislative reform and head off the divide-and-conquer tactics used by Ottawa in the merger debate, said one bank executive.

They will ask Mr Martin to abolish the current capital taxes, which include a 1.25 per cent tax on all capital in excess of C$300m (US$200m) and a 12 per cent surtax. The banks argue the taxes discourage them from increasing assets and should be replaced by a tax on income.

The banks also want the right to restructure as holding companies to allow separate entities to operate in the regulated and unregulated segments of the financial services market. The banks are facing increased competition from single-line companies in unregulated businesses such as credit cards, mortgages and asset-backed financing.

The government is expected to support that request, but is still undecided on whether to lift current ownership curbs that prevent a single shareholder from owning more than 10 per cent of a bank's stock. Banks want a 20 per cent cap to give them more flexibility to enter into strategic partnerships.

While the banks are also hoping Mr Martin will loosen restrictions that prevent them from selling insurance directly, they appear to recognise strong lobbying from insurance brokers may dissuade Ottawa.

The banks have also been pressing Ottawa to allow them to sell vehicle leases. The banks have been prohibited from offering leases, allowing much of the market to be captured by the US.

"If we can't win that one, there's nothing we can win," said one executive.

US employers labouring as jobs market tightens

Companies are turning to religion and other less conventional ways of finding employees. **Gautam Malkani** reports

Ann Barton of Bakersfield, California, today starts a permanent job with a mobile phone company. The company is blessed. Were she not a member of her local Church of Jesus Christ of Latter Day Saints, it would probably never have found her.

"It was a Sunday last year that I talked to my bishop after I lost my job," she says. "I went to say I may need some help with the rent and food because I'm a mom with two kids." But instead, the church faxed her résumé to an employment agency and she had the first in a succession of temporary placements before she could even start her own job hunt.

With the US labour market wrenched about as tight as it will go, Americans hardly need to pray for work. Instead, desperate for more workers, employers are turning to religion and other less conventional ways of finding names to put on wage slips. Manpower, the Milwaukee-based employment agency, has added hundreds to its ranks of temporary employees over the past year through its church recruiting programme.

"We advertise in church bulletins and newsletters to get the word out that Manpower has jobs available and when the church refers its members to us we in turn make a donation," says Gretchen Kreske of Manpower. "A lot of our workforce is mothers or students or senior workers and all of these people are found in religious organisations."

Manpower has also tapped Bosnian and Vietnamese refugees for its database of job seekers by working with the Catholic Family Services social service agency in Amarillo, Texas, for the past month.

Corporate employers are taking desperate measures too. This week, the first of a more seductive signing-on bonus – a BMW Z3 – will be delivered to an employee of Mirronex Technologies, an internet commerce company in Montgomery, New Jersey. "It's almost impossible to find the right people," says Stephen Neish, director of strategic business development.

Stock options, longer vacations, reimbursed tuition fees and other perks have mostly proliferated in frantically tight sectors such as IT and finance. But with the US unemployment rate at 4.2 per cent last month – its lowest level in 29 years – few sectors have been spared from the famine.

The Federal Reserve discovered in its 1997 annual survey of regional economic conditions that a pizza delivery service in Dallas was dangling a $200 signing-on bonus and "big discounts on pizza" for qualified drivers and managers.

"I've lived through a lot of different job markets but over the past three years, if I could clone people I would," says Patti Homerick of Acsys, a Georgia-based employment agency. She recalls "easier" times for hiring agencies. "In 1989-90 we had 200 applicants for every job. Now for every good candidate at a certain level, there are probably 10-12 opportunities that we could present to them as soon as they walk in the door."

American shopping malls house tempting Job Shop kiosks with interactive, touch-sensitive screens flashing vacancies at shoppers who, like most Americans, are probably not looking for a job.

Telesec Corestaff, an agency based in Washington, has stepped up efforts to recruit people planning to retire from the military. "Our target market has changed from someone who does not have a job to someone who already has a job," adds Susan Gant, marketing and placement manager.

"We have to suggest it's a good time for people to look for other opportunities. If you are looking for a career change, if you are looking to shorten your commute, now is that time to do that."

Keeping staff faithful in such an alluring job market requires similar perks, so that quitting is like drinking too much: you have to hand over the car keys. Maury Hanigan is chief executive of Hanigan Consulting in New York, which helps companies design retention schemes to minimise staff turnover.

"These are as good as days get for us," she says. "Ten years ago companies were spending money trying to figure out how to lay off employees."

Chávez threatens state of emergency in Venezuela

By Raymond Colitt in Caracas

President Hugo Chávez of Venezuela has said he will declare a state of national emergency if Congress does not approve the special powers he is seeking to implement far-reaching economic and state reform measures.

"Either [I get] the enabling law or I will decree the state of emergency in a few days. I will not wait any longer. The country is sinking, the people have nothing to eat," he said during a weekend military ceremony in Caracas.

Mr Chávez said he banned his cabinet ministers from testifying before congressional committees that had requested hearings over the government's proposals. "[The proposed measures] have been explained more than enough. There is no time to lose."

He defied Congress to launch impeachment proceedings against him. "Let them try me. I'm not stepping down. Let's see who wins this battle," he declared.

Mr Chávez last week returned the economic reform legislation to Congress, saying it was "too limited". The bill, which includes tax increases, was designed to jump-start the economy and help reduce a budget deficit estimated at 9 per cent of gross domestic product.

Hugo Chávez: push to get reform measures through

Congressional leaders last week indicated they were ready to grant the government some, but not all, of the additional powers it sought, after Mr Chávez suggested they were defending the status quo of corruption and inefficiency. He cited a public development agency where 99 per cent of the $3.3m budget was lost in administrative and personnel costs.

Mr Chávez's latest offensive has renewed concerns over his authoritarian style and also heightened the power struggle with Congress, renewing the prospects of a full-blown constitutional crisis.

Analysts say the latest showdown is a critical test of strength for Mr Chávez, who enjoys immense popular support but lacks a majority in Congress. The outcome will determine the government's ability to tackle the pressing economic challenges and could also set a precedent for governability of the country in coming months.

Political tension has mounted in recent weeks as the new political forces that swept to power with Mr Chávez on February 2 have clashed with established politicians, judges and bureaucrats.

A number of high-profile investigations into alleged corruption have led critics to accuse Mr Chávez of carrying out a witch hunt against those who ruled for the past four decades.

PERFORMANCE EURO DRIVEN LOWER AGAINST THE DOLLAR ■ EURO-DENOMINATED BONDS ACCOUNT FOR 44% OF GLOBAL MARKET SHARE ■ BOOST FOR CONSOLIDATION IN BANKING

Currency star whose brightness has failed to dazzle

By Alan Beattie in London

A hundred days since it was launched, Europe's new single currency has not, contrary to the predictions of some of its more enthusiastic supporters, turned into a reserve currency which threatens the US dollar's supremacy.

Nor does it appear to have benefited from huge portfolio shifts as investors looking to diversify out of their home markets plough capital into the euro-zone.

In fact, the most surprising thing about the performance of the euro in its first 100 days has been its normality.

The euro has been driven lower against the dollar by relatively weak euro-zone growth compared with the booming US economy – a pattern familiar to veterans of the DMark's behaviour against the dollar.

European Central Bank officials have recently played down the fall in the value of the euro, pointing out that it has only backtracked on the D-Mark's rise against the dollar towards the end of last year.

However, in the currency markets, the hopes placed in the new currency at its launch – and particularly the idea that it would be greater than the sum of its parts – have so far been disappointed.

Some analysts predicted that the widening and deepening of European capital markets would suck in investment from outside the euro-zone and push the currency higher.

But there are few signs that international investors are putting money into euro-denominated markets.

Robert Lawrie, international fixed income analyst at Merrill Lynch, has been sceptical about the strength of the euro from the beginning.

He claims the market got caught up in the excitement of the launch.

"Essentially the euro has already been in existence for 15 years via fixed exchange rates," he said.

"All they did at the beginning of the year was to change the name."

It did not take long for the "europhoria" which had surrounded the currency's launch to subside.

The euro: a reminder

- The single currency has 11 members: Belgium, Germany, Spain, France, Ireland, Italy, Luxembourg, Netherlands, Austria, Portugal and Finland
- Four European Union countries have not yet joined: Britain, Sweden, Denmark and Greece
- On Jan 1 1999: exchange rates of the 11 participants were fixed irrevocably; the banking and finance industry switched to the euro; the European Central Bank took charge of monetary policy in the euro-zone
- On Jan 1 2002: circulation of euro bank notes and coins will begin
- On Jul 1 2002: national banknotes and coins will no longer be legal tender

Rob Minikin of Citibank said at the end of the first week of the euro's life that a contractionary German budget and rising unemployment signalled that the euro honeymoon was over.

"This is not to downplay the potential for medium-term portfolio shifts," he said. "But they will be just that – medium-term and progressive."

The growing feeling that policy-making in the euro-zone was confused by political tensions was also no great help to the fledgling currency.

Oskar Lafontaine, then German finance minister, continually criticised the ECB for failing to cut interest rates, in what one market analyst described as "monetary terrorism". That added to the general feeling that investment in the euro-zone could wait for a better moment.

Since the end of the brief honeymoon, the euro's short life has been one of gradual decline. Brief fireworks were provided by the shock resignation of Mr Lafontaine in March.

His departure caused a temporary revival in the fortunes of the currency, and there was an opposite but equally short-lived reaction when the European commissioners quit *en masse* four days later. But according to some analysts, only with last week's cut of 50 basis points in euro-zone interest rates, aimed at boosting economic growth in the region, has the ECB laid the groundwork for a real recovery in the value of the euro.

"There is an underlying desire to buy the euro," says Nick Parsons, chief currency strategist at Paribas in London.

"But it has not yet been realised. Investors are looking for value and looking at the euro."

The weakness of the currency so far has burnt many fingers, ensuring that any recovery is likely to be slow and tentative.

"The lesson of the euro's movements during its first 100 days is that there have been so many false dawns that the market has been wary of getting sucked into another one," Mr Parsons says.

In the near future, many in the market think the euro is unlikely to stage a substantial break away from its current level, about 8 per cent below its launch value.

And the day it finally achieves the status of the world's foremost reserve currency still seems a long way off.

CAPITAL MARKETS SMOOTH TRANSITION HAS BEEN MADE TO A DUAL-CURRENCY WORLD

European investors give spur to euro-denominated bonds

By Edward Luce, Capital Markets Editor

The pace of activity in Europe's capital markets has taken even optimists by surprise since the single currency was launched 100 days ago.

Prior to its inception, analysts were predicting that the euro would account for between 30 and 40 per cent of all international bond issuance, with the dollar maintaining a clear lead.

They clearly underestimated the psychological impact of the smooth transition to the euro on the capital markets.

In January, bonds denominated in euros accounted for almost 50 per cent of all international issuance, according to Capital Data BondWare, a data provider.

This lead over the dollar has since fallen but the two remain neck and neck, with euro-denominated bonds accounting for 44.1 per cent of global market share and dollar-denominated bonds accounting for 44.9 per cent of the total issuance.

Other global currencies, including sterling, yen and the Swiss franc, account for the remaining 10 per cent.

The euro may have so far failed to live up to the most optimistic expectations of currency traders, but the bond markets are already operating in a dual-currency world.

The euro's initial success in the capital markets has been driven by both investor demand for bonds and the eagerness of European companies to take advantage of the low fixed-rate cost of funding available in the securities markets.

In addition, European banks have been encouraging their clients to switch to the bond markets for regular funding requirements, and stick to the banks for more complex (and higher-margin) needs such as acquisition and project finance.

The market's response to February's hostile bid by Olivetti, the Italian information technology and telecommunications company, for the privatised group Telecom Italia is instructive.

Bank syndicates quickly assembled around both companies, promising huge sums to fund the hostile takeover (or Telecom Italia's defence against it).

But in both cases, the promised loan financing was contingent on the borrowers' ability to refinance the loan in the bond markets within 12 months.

The banks, in other words, were confident that bonds of up to €15bn ($16.1bn) could be successfully launched in Europe's corporate bond markets.

This would comfortably outstrip the $8bn bond launched by AT&T, the US telecoms company, as the largest corporate offering in history.

"The capacity of Europe's bond markets is astonishing this early in the life of the single currency," said a senior US banker. "Investors have bought the argument hook, line and sinker."

The pace of activity is also surprising considering the currency's weakness against the dollar since its launch.

This has discouraged US and Japanese investors from putting money into the euro-denominated bond markets for fear that any rise in the price of the securities they hold would be offset by the depreciation in the currency.

The growth in the market has thus been driven almost entirely by domestic European investors such as the large Dutch and French pension and insurance funds.

In addition, there are signs that Europe's fledgling junk bond market is also beginning to pick up: a number of newcomers, such as Jazztel, the Spanish telecoms group, have successfully launched high-yield bonds in euros in the last fortnight.

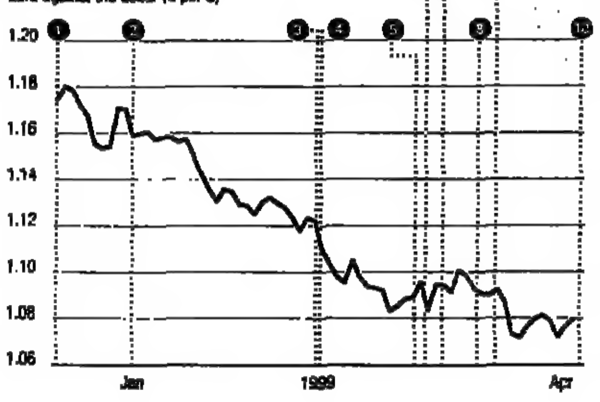
Growing pains of a new currency

Oskar Lafontaine, former German finance minister

Jacques Santer, outgoing European Commission president

B-52 bombers take off to bomb Serbia

Euro against the dollar (€ per $)



Source: Datastream/ICV

IMPACT ON BANKING MORE URGENCY FELT IN BANKS' MOVES FOR CONSOLIDATION

Jump-start given to mergers among top financial groups

By George Graham, Banking Editor

The euro was always expected to provide the spur for consolidation in the European banking industry, but most bankers expected the process to take three to five years.

Now, it seems three to five months may be a more appropriate timeframe.

Already, Banco Santander and Banco Central Hispano have agreed to merge to form Spain's largest bank. Société Générale and Paribas followed suit in France, provoking such a panic at Banque Nationale de Paris that, rather than be left out of the merger round, it launched unsolicited bids for both of its rivals.

Italy, too, has seen frenzied corporate activity, with Unicredito Italiano making an all-share offer for Banca Commerciale Italiana. That would have created Italy's largest bank, but hours later it was topped by San Paolo-IMI with an offer for Banca di Roma.

Clearly, these institutions had more reasons for merging than the arrival of the new European currency, but the euro has certainly provided a jump-start.

"We felt that the euro made it very urgent to move. We were convinced there was not a possibility of waiting around for 10 years," said Daniel Bouton, chairman of SG, after announcing his bank's merger plans with Paribas.

On the operational side, banks have moved smoothly into the euro era. The conversion weekend threw up fewer problems than even the most optimistic had hoped, and the ensuing weeks saw payment systems and financial markets settle down fairly quickly.

> 'Early problems in the Target system with bottlenecks at some central banks appear to have been overcome'

Early problems in the Target system, with bottlenecks at some national central banks and misunderstandings about payment routings, now appear to have been largely overcome.

In January, Target – operated by the European Central Bank as hub for all of the EU's national settlement systems – handled an average of 151,000 payments a day, with a total value of €1,046bn ($1,125bn). Cross-border payments averaged more than 20,000 a day with a value of €355bn, and in the early weeks of February this figure rose to more than 25,000 transactions a day.

The system is still being used largely for high-value interbank payments, with only 16 per cent of transactions representing payments on behalf of bank customers.

But banks have more problems to come. The European Commission has launched an investigation into bank charges for euro transactions, with high-profile raids on banks in France, Italy, Germany and Spain.

The immediate focus of the investigation was whether banks had colluded with one another to fix prices for making euro payments and exchanging currencies.

But even if they can prove that there was no collusion, the banks face an uphill battle to convince customers, and EU officials, that they are not profiteering by failing to pass on to their customers the savings from the elimination of exchange rate risk within the euro zone.

Christa Randzio-Plath, the German chair of the European Parliament's monetary committee, warned the banks they needed to do more.

"The holiday season starts at Easter and if more and more people realise that it's sometimes even more expensive to travel now they'll ask themselves 'What's this monetary union for?'" she said.

"Consumers are worried that they are being made to foot the bill for the euro," said a spokeswoman for Beuc, the European consumers association. "The fear is that the start of the euro spells the start of them having to pay more."

Charges have come down, but exchange rate risk is not the only cost involved in currency transactions. Even if the currency is now the same, payment systems are still national. If retail cross-border payments are to come down in price, the banks have much work to do to develop new systems.

CONSUMERS APATHY TOWARDS DOUBLE PRICING AND DISAPPOINTMENT AT BANK CHARGES

Shoppers yet to be roused as switchover process grinds on

By Emma Tucker in Brussels

The first 100 days of the euro have not been a success for consumers.

From disappointment over high fees charged by banks for exchanging euro-zone currencies, to general apathy towards double pricing, people cannot see that "there is much in it for them", according to Beuc, the European consumers' association.

Such fears may be allayed as consumers come to terms with their new currency. So far, however, the euro has made little impact on the everyday shopper.

Beuc believes more needs to be done to encourage people in euro-zone countries to get to grips with the euro and is urging retailers to introduce double pricing as quickly as possible.

In such countries as Belgium, Germany, Luxembourg and the Netherlands, many retailers have already introduced double pricing, but Beuc would like the process to be more comprehensive.

Retailers, however, have their own separate worries.

With only $2\frac{1}{2}$ years to go before notes and coins start to circulate, they fear that they have been unfairly lumbered with the herculean task of distributing the new currency and of coping with a long and complicated period in which the new notes and coins will circulate alongside the old national currencies.

That period could last up to six months, depending on the country.

A group of leading European retailers is now pushing hard for the dual circulation period to be dropped.

It argues that retailers would face a "tidal wave" of old currency coins that they would be obliged to store at considerable cost and risk.

"The collection of huge quantities of old coins in retail outlets will create considerable security risks for both shop staff and consumers," says Friso Coppes, director of EU affairs for Ahold, a leading Dutch retailing group.

Moreover, a dual circulation period could lead to confusion, particularly for small retailers. Market traders and waiters, for example, would have to juggle two cash floats.

Retailers would prefer - a "big bang" switchover, with limited amounts of euros released to consumers in advance of the change to the new currency in a process known as "frontloading".

This would take some of the distribution pressures off retailers and would minimise confusion, they argue, but it would have to be thrashed out with EU governments.

Companies, meanwhile, are doggedly putting in place the systems needed to cope with the single currency.

A survey by the Fédération des Experts Comptables, the European accountancy federation, showed that by early this year 60 per cent of 1,000 EU companies surveyed had taken steps to prepare for the euro, compared with only 31 per cent a year earlier.

However, the rate was much lower for small companies employing fewer than 10 people.

If you would like to advertise, or require any further information, please contact:
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Tel: 0171-873-4928 Fax: 0171-873-4296

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FOOD INDUSTRY CLAIMS OF LINKS TO BIOTECHNOLOGY SECTOR PROMPT MINISTERS TO OVERHAUL ADVISORY GROUP

Shake-up for modified crops body

By George Parker, Political Correspondent

The UK government plans a complete overhaul of a key advisory body on genetically modified foods, following claims it is tarnished by links to the biotechnology industry.

Ten of the 13 members of the advisory committee on releases to the environment (Acre) – which approves trials of GM crops – are to be replaced in June.

Michael Meacher, environment minister, says public confidence was shaken by revelations that some members of the committee received funding from GM food companies.

He plans to replace some of the food scientists with experts in wildlife, plant life and farming methods, to assess the possible longer-term impact of GM crops.

He also aims to bring in academics with no links to the GM industry, provided the move does not harm the quality of advice given to ministers.

"Acre has been criticised on the grounds that it is too close to the industry," Mr Meacher said yesterday. "I have no reason to believe that any of the evaluations I have received from the committee have been biased or inadequate in any way, but there is a question of public perception."

Acre found itself at the centre of the national GM food scare in February, when Friends of the Earth claimed that six members of the committee had some link with the biotechnology sector.

"Acre is a bunch of moon-lighting industry boffins," said Robin Maynard, FoE campaigns director.

Mr Meacher admitted public concern was heightened by the disclosure that, of 160 applications received by Acre for GM seed growing or research, each was approved.

"It was not widely reported that many of the applications had to be amended, but the perception was that they were simply nodded through," he said.

Mr Meacher, backed by John Prescott, deputy prime minister, is seen in government as one of the leading advocates for a cautious approach to GM food development.

He stressed that the 10 committee members were not being sacked, and that the membership had to come up for renewal in June under Lord Nolan's rules on public appointments.

However, the upheaval will allow Mr Meacher to appoint advisers who will instinctively be more critical of new GM crop initiatives.

Acre's remit will be extended to consider possible long-term damage to the environment from GM crop planting, including any cumulative effect on wildlife and the possibility of cross-contamination with other crops.

Women customers win warmer welcome at the bar

Pub chains compete to make their outlets 'female-friendly', **Sheila Jones** reports

The typical male drinker who props up the bar in the British pub is being pushed aside by a rapidly growing number of female customers.

Flat sales in the industry and rising wage costs have prompted many pub chains, such as Bass, Fullers and Allied Domecq, to convert some of their traditional ale houses into more "female friendly" outlets.

Their attempts to coax in more women has produced a rash of new bars with trendy colour schemes and light, airy interiors, such as All Bar One from Bass and Marston's Pitcher and Piano chain.

The latest offering is from Allied Domecq, which has 1,500 pubs across the UK. Today, the pubs and spirits group opens its pilot Wharf Street pub in Leeds, in north-east England. It is a £500,000 ($805,000) conversion, which the group claims has the feel of a traditional British pub, rather than that of a Continental-style bar.

"We wanted to stay well clear of the sparse café-bar look that everybody else is doing," says Clare Rooney, northern marketing manager. "We don't want to alienate our male drinkers. It is not a women-only bar, but it is taking the great British pub idea a step forward."

Allied set up a five-woman taskforce 18 months ago to come up with ideas to attract more women. Men outnumber women in British pubs by two to one.

"The conclusions from the research are not rocket science," says Ms Rooney. "It is about common sense. Women have higher expectations, and are more demanding and discerning. They want staff to be welcoming and a pub to be clean and comfortable. We think those sorts of changes will be just as popular with men, the mainstay of our business."

The research concluded that women want some table service to avoid "the scrum at the bar"; toilets that are easy to find and are clean with good lighting and full length mirrors; good ventilation; clear glass windows to allow women to "window shop" before entering a pub; comfortable chairs rather than stools; and a more positive attitude among staff towards women, in particular, those entering pubs alone.

Linda Barker, Teresa Franks and Jo Cottam, of the Wharf Street pub's taskforce — Craig Stennett

Jo Cottam, area manager and a member of the taskforce, says many women complained that they were often ignored by bar staff, who served men first. "There is often an assumption that a woman at the bar is with a man and that she is not waiting to be served. I don't know where that assumption comes from, but we have to change it," says Ms Cottam.

"We have raised the floor and fitted larger windows, so that women can see what they are coming into. We have also brought in more comfortable chairs, magazines and plants."

Staff at Wharf Street have been trained to be more "welcoming and positive" towards customers, particularly if they are alone, says Ms Cottam. "There will be welcoming eye contact or a greeting from one of the staff as customers come in to the pub. They might be asked if they are looking for friends and perhaps walked through the pub to find them."

Staff have also been trained to advise on a wider selection of wines, although the bar still stocks its traditional beers as well as tea, coffee and bistro-style food.

If the Wharf Street idea works, more of the Allied chain, which includes the Firkin and Mr Q brands, will adopt "best practice" and some of its more traditional pubs may be converted.

There are indications that the trend towards female friendly outlets is beginning to work, according to Alex Oldroyd, drinks analyst at Morgan Stanley. The number of women going into pubs once a month or more rose by 8 per cent between 1991 and 1998 as the pub chains began to focus on the female market.

US defence companies face delay on $1.2bn project

By Alexander Nicoll, Defence Correspondent

The Labour government's first big decision on a competitive defence procurement has been delayed by a request to the US contestants to make their cases in person to George Robertson, the defence secretary.

Ministry of Defence officials had been expected to tell ministers last month which of three contenders to supply a £750m ($1.2bn) airborne stand-off radar (Astor) system they preferred.

Mr Robertson intervened at the last moment to ask Lockheed Martin, Northrop Grumman and Raytheon – all of the US – to make final points to him in separate presentations.

The conflict in Yugoslavia has delayed the meetings, and the MoD was unable to say whether dates have been set for them. It said it still planned to announce its decision, which will be debated by ministers on the cabinet sub-committee on defence and overseas policy within two months.

The Kosovo crisis has demonstrated the need for Astor, which will be operated from adapted business jets flying at 50,000ft over safe territory, and will give commanders a detailed picture of activity hundreds of kilometres behind enemy lines.

Nato pilots have been hampered in their efforts to attack Serbian vehicles and forces on the ground in Kosovo by their inability to identify targets quickly enough, partly because of cloud cover.

Although all the Astor bidders are American, each has been arguing strongly that its system would have substantial UK content and that about 2,000 British jobs would be created. It would be more advanced and cheaper than comparable surveillance systems available to US commanders.

NEWS DIGEST

NORTHERN IRELAND ASSEMBLY

Two premiers set to join talks over arms impasse

The Ulster Unionist members of the Northern Ireland assembly meet today in advance of the resumption of negotiations tomorrow aimed at ending the impasse over terrorist arms which is preventing the setting up of Northern Ireland's new government.

Tony Blair, the UK prime minister, and Bertie Ahern, his Irish counterpart, are set to join the discussions later in the week, amid signs that Sinn Féin, political wing of the Irish Republican Army, is hardening in its opposition to any gesture on arms to end the roadblock. Republicans have dismissed as "unimpressive" the two governments' proposals to the IRA and the loyalist paramilitaries to "put some arms beyond use" as a way to overcome the pro-British Ulster Unionist misgivings about sharing government with Sinn Féin.

Martin McGuinness, Sinn Féin's chief negotiator, signalled that Sinn Féin would look with scepticism at any attempts to link the issue of IRA decommissioning with troop withdrawals by the British army. Meanwhile, Archbishop Sean Brady, head of the Catholic church in Ireland, said there must be "an honourable way forward" for both parties, to prevent the province slipping back into "murder, mayhem, and misery". **John Murray Brown, Dublin**

EURO

Survey highlights transactions

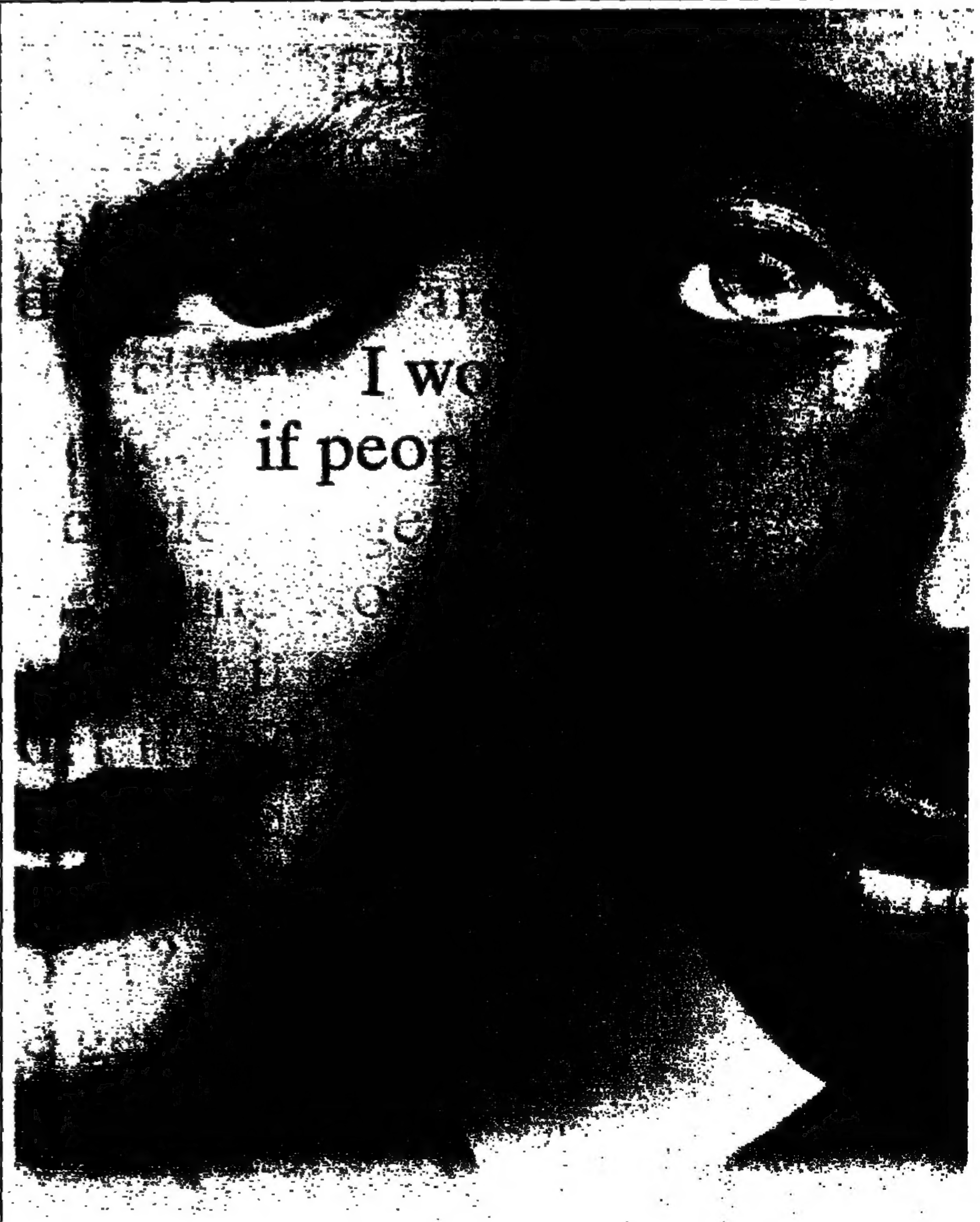
Nearly 20 per cent of small and medium-sized businesses which export or import are being invoiced in euros by suppliers outside the UK and 12 per cent are being paid in euros by non-UK buyers, according to a survey released by Lloyds TSB today.

Lloyds said the survey of 200 businesses had been weighted to be representative of the sector as a whole, which is estimated by the trade and industry department to consist of about 110,000 companies. Lloyds said the survey showed that 65 per cent of such companies believe the UK should join the euro, and 86 per cent think it will, while 52 per cent said they were fully informed on the euro. A survey of all businesses published last month by Business for Sterling, which campaigns against early UK membership, suggested that nearly three-fifths of businesses want to stay out of the euro. However, the poll was criticised by pro-euro campaigners as unduly weighted towards small businesses. **Kevin Brown, London**

SOCCER CLUB BID

Murdoch gives 'no war' pledge

Rupert Murdoch yesterday said he would not declare a "holy war" against the government over its decision to block the bid from BSkyB, the satellite broadcaster, to take over Manchester United. The media tycoon's comments to the Sunday Business newspaper will comfort ministers, who feared a possible anti-Labour party backlash in Mr Murdoch's newspapers, including The Sun, the UK's top-selling daily paper. Meanwhile the trade and industry department denied reports that it was considering changing the rules on mergers specifically to protect smaller Premier League football clubs from takeovers by media groups. **George Parker, London**



WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY
ABB AB Skr2.18
Asia Development Bank 11% Bds. 2001 £110
Barclays Australia Intl. Fin. 8% Gtd. Nts. 1999 A$80
Enterprise Oil 11⅝% Ln. 2016 £5.8125
Higher Education Sec. Inv. Class B1 FRN> 2028 £683.44
Do. Class B2 FRN. 2028 £683.44
RAMS Mort. Corp. Class A1 FRN. 2032 $1,313.81
Do. Class A2 $1,323.92
Do. Class B $1,387.12
Smith (David) Hldgs. 2.7p

■ TOMORROW
Booth Inds. Grp. 0.5p
Budgens 0.5p
Carlton Comms. A.D.R. $0.8326
Rank Org. A.D.R. $0.2352

■ WEDNESDAY APRIL 14
Abbey National Capital Sub. FRN. 2003 $26.54
Do. Sub. FRN. 2009 SwFr772.55
Armitage Brothers 3.4p
Commonwealth of Australia 9½% Ln. 2012 £237.50
Bermuda Bond Funds $0.16
BOC Grp. A.D.R. $0.5243
Bristol Water Hldgs. 18.5p
Do. Non. Vtg. 18.5p
Gartland Whalley Baker 2.8p
Kobe Steel 3$ Bds. 1999 Y300,000
Do. 3.2 Bds. 2000 Y320,000
Morgan Sindall 4.45p
PSD 9p

■ THURSDAY APRIL 15
Aberdeen Preffed Income Tst. 3p
Aurora Funding (No.1) Class A1 FRN. 2006 £6,201.58
Do. A2 £7,498.59
Do. B £7,683.52
Do. C £8,115.03
Do. D £10,580.78
Do. E £12,738.32
City Mortgage Receivables 1 FrN. 2023 £23.53
Do. 2 FRN. 2023 £25.78
Do. 3 FRN. 2023 £22.11
Do. Class B. FRN. 2023 £57.12
Do. 4 FRN. 2028 £28
Do. Class B FRN. 2028 £57.12
Do. 5 FRN. 2032 £5.28
Do. Class B FRN. 2032 £67.73
Do. 6 FRN. 2029 £26.91
Do. Class B FRN. 2029 £57.12
Enterprise Oil Sub. FRN. 1999 £41,635.62
Finland (Republic of) 11½% Ln. 2009 £287.50
Franklin Resources $0.055
Goode Durrant 0.875p
Govett Strategic Invst. Tst. 9⅞% Db. 2017 £4.9375
ICM Computer Grp. 0.9p
ICI 9¾% Bds. 2005 £97.50
Do. 10% Bds. £100
Ireland (Republic of) 8% Cap. Ln. 2001 IR£4
Do. 11¾% Cap. 2000 IR£5.875
Johnson Fry European Utilities Tst. 2.3p
MEPC 9⅞% Bds. 2004 £98.75
Do. 10¼% Bds. 2003 £102.50
Merton (London Borough of) 11¼% 2017 £5.625
Metropolitan Water board Southwark. £1.50
Morgan Sindall 5.625% Conv. Cm. 2.8125p
Motorola $0.12
National Australia Bank FRN. $276.16
Occidental Petroleum Corp. $0.25
Ocwen Mortgage Loans Class A1 FRN. 2029 £117.61
DO. A2 FRN. 2029 £491.34
Do. M1 FRN. 2029 £503.23
Do. M2 FRN. 2029 £541.45
Do. B FRN. 2029 £346.14
Ocwen Mortgage Loans 2 Class A1 FRN. 2030 £346.14
Do. A2 FRN. 2030 £532.77
Do. B FRN 2030 £719.62
Do. M FRN. 2030 £558.25
Do. S FRN. 2030 £788.09
Porvair 4.1p
Provend Grp. 2p
Residential Mortgage Secs. 2 Class A FRN. 2037 £54.16
Richards 4% Cm. Pf. 2p
Do. 5½% Cm. Pf. 2.75p
Smithkline Beecham 3.68p
SONAR 2 Class A1 FRN> 2022 £118.89
Do. Class B FRN> 2022 £170.93
Wereldhave Prpoerty Corp. 9.5% 2015 £4.75
Do. 10.75% Db. 2015 £5.375

■ FRIDAY APRIL 16
AB Astra B. Skr1.90
Bensons 1.5p
British Gov't 2½% Treasury 2020 £2.4663
Henderson Eurotrust 1p
Do. Units 1p
Inn Business Grp. 1.85p
Lonmin $0.1476
Do. $0.2072
M & G Recovery Invst. Tst. 2.43p
Do. Geared Units 2.43p
Do. package 2.43p
National Pwer A.D.R. $0.7975
National Westminster Bank 9% Non. Cm. Pf. 4.5p
Do. Non.Cm. Dollar $0.492188
Proudfoot 0.3p
Seco Grp. 5.1p
Swansea (City of) 13¾% Rd. 2006 £6.875
United Utilities A.D.R. $1.1812
Do. $1.1927

■ SATURDAY APRIL 17
Pennant Intl. Grp. 2.4p

■ SUNDAY APRIL 18
Allied London Properties 5¾% Conv. Cm. Rd. Pf. 2.875p

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
BOARD MEETINGS:
Finals:
Bond Intl Software
Riva Grp.
Servomex
Interims:
Wardle Stores

■ TOMORROW
COMPANY MEETINGS:
Morgan Sindall, The Armourers' Hall, 81, Coleman Street, EC. 12.00
Porvair, King's Lynn Town Hall, Saturday Market Place, King's Lynn, Norfolk. 12.00
BOARD MEETINGS:
Finals:
Automotive Precision Hldgs.
Dalkeith Inns
Rugby Estates
Xpertise Grp.
Interims:
London & St. Lawrence Inv.
Gartmore British Inc.

■ WEDNESDAY APRIL 14
COMPANY MEETINGS:
Estates & General, The Washington Hotel, Curzon Street, W. 10.30
Grosmont, 17, Hanover Square, W. 2.00
Lloyds TSB, Edinburgh Intl Conference Centre, The Exchange, Morrison Street, Edinburgh. 10.30
Mersey Docks & Harbour, Maritime Centre, Royal Seaforth Docks, Port of Liverpool. 12.00
BOARD MEETINGS:
Interims:
Seascope Shipping Hldgs.

■ THURSDAY APRIL 15
COMPANY MEETINGS:
Harry Ramsden's, Harry Ramsden's Restaurant, White Cross, Guiseley, Nr Leeds. 11.00
Woolwich, The QEII Conference Centre, Broad Sanctuary, SW. 2.30
BOARD MEETINGS:
Finals:
Polydoc
Seascope Shipping Hldgs.

■ FRIDAY APRIL 16
COMPANY MEETINGS:
Chieftain Group, Copthorne Hotel, Quayside, Newcastle upon Tyne, 12.00
Millennium & Copthorne, Millennium Gloucester Hotel, 4-18, Harrington Gardens, SW. 10.00
BOARD MEETINGS:
Finals:
Saltire
Interims:
Arm Hldgs.
Barclays Global Inv.

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.
This list is not necessarily comprehensive since companies are no longer obliged to notify the Stock Exchange of imminent announcements.

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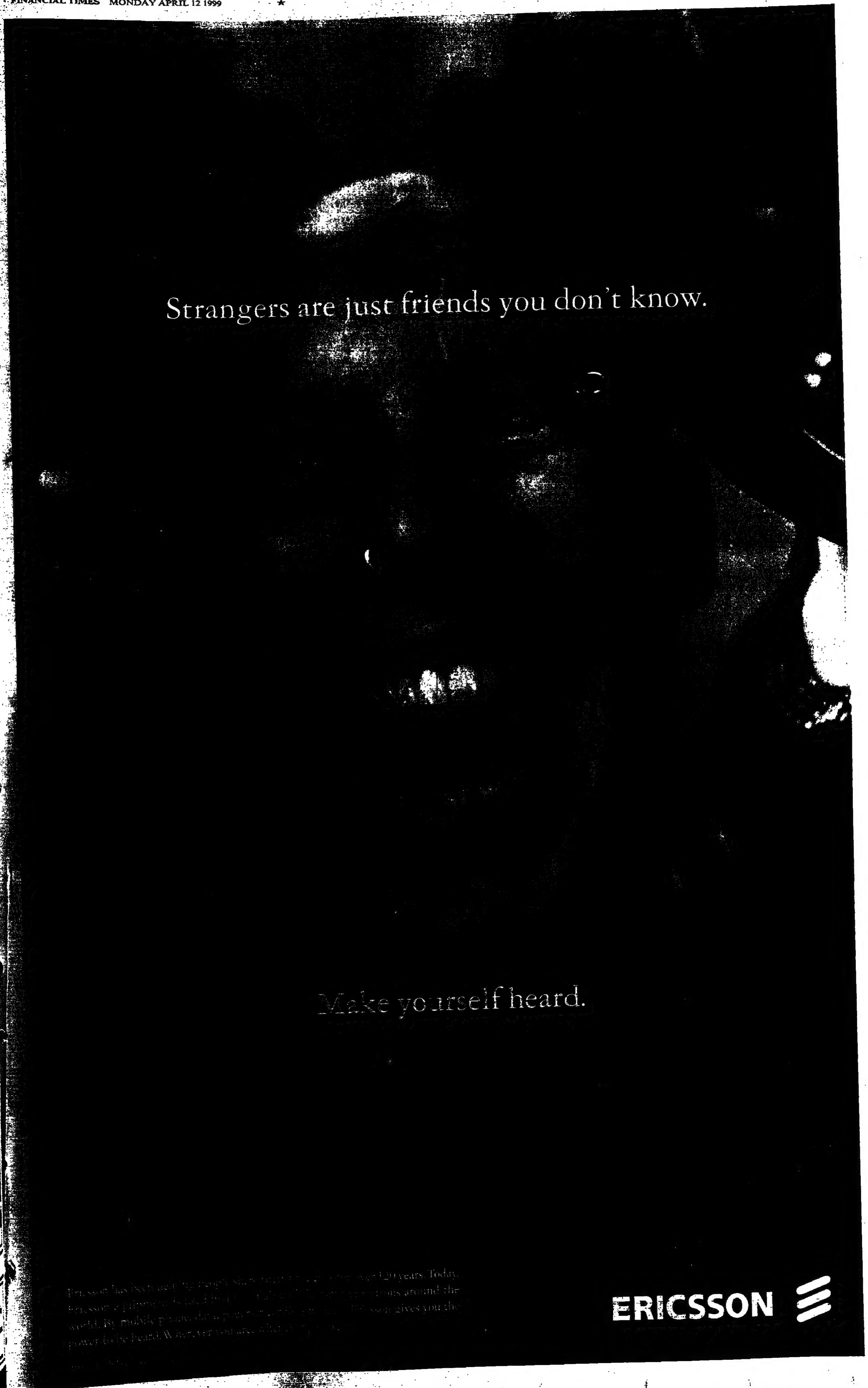
Strangers are just friends you don't know.
Make yourself heard.
ERICSSON

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PROFILE LARRY CARTER, CHIEF FINANCIAL OFFICER, CISCO SYSTEMS

Mind of the money tracker

A computerised accounting system to cut bureaucracy and costs has proved crucial to rapid growth, writes **Roger Taylor**

On the outskirts of San Jose, California, is a collection of 35 virtually identical brown office blocks that can be told apart only by the letters on the doorways.

Inside each building, the floors are divided into cubicles and offices. The cubicles come in two sizes. The offices are all 10ft x 12ft. None have windows. The floor plans displayed on the walls look more like computer circuits than maps of where to find people.

These are the offices of Cisco Systems, one of the world's fastest growing companies.

Only 14 years old, Cisco is responsible for building most of the computers that drive the internet, and is now one of the 10 largest corporations in the US by market value. It provides the infrastructure of the internet: the routers and switches that direct traffic around the network.

The company has outperformed the competition and won new business with relentless efficiency. Larry Carter, chief financial officer, is its head mechanic.

Mr Carter, who spent 30 of his 55 years in the semiconductor industry before joining Cisco in 1995, takes personal pride in the company's Spartan surroundings. Every chair at Cisco, he says with satisfaction, is the same.

Mr Carter has dedicated himself to building a system of computerised accounting and management controls that cuts out every dollar of unnecessary cost. But he insists he is not a bean-counting control freak. His main aim, he says, has been to create a system that operates with the minimum of bureaucracy and allows the greatest flexibility to employees.

Take expenses. At Cisco, any employee can travel anywhere without prior approval. The employee enters the travel request into the system and as long as it meets company policy – coach class air tickets only – he or she will automatically be reimbursed within 48 hours. The point, Mr Carter says, is to ensure that employees are free to do whatever is necessary for the customer rather than wasting time on bureaucracy. "There will always be some who abuse it," Mr Carter says, "but we do not slow down the whole company because of that 1 or 2 per cent. I will catch those who abuse it."

The result is a company that claims the highest level of revenues per employee in the industry and spends only 1 per cent of those revenues on its finance deparment.

The cost control system has contributed, in large part, to Cisco's success. From his desk each morning Mr Carter can track exactly how much money his company is making, how each division is doing around the world, and even how each salesperson is performing against his or her target.

He calls up a page showing sales and margins for every region of the world: the information is no more than 24 hours old. He can review the figures by region, by product line, or by customer. He clicks on the US to get sales by state; then on Arizona for the figures for each individual salesperson. If anything looks amiss he can instantly fire off an e-mail to the individual concerned.

Working under such close scrutiny is not to everyone's liking. Those who are uncomfortable with the system generally do not last long at the company. "We aim to take out the bottom 5 per cent constantly," Mr Carter says.

Cisco's modus operandi is unforgiving of people who are less than 100 per cent committed to their work and the company. But for those who are committed, the rewards are bountiful. Employees get paid in part with options on Cisco stock, which has risen 10-fold in the past four years, making many of them extremely wealthy.

Mr Carter's system may be impersonal, but it is undoubtedly efficient. Purchasing, sales, marketing and even the hiring of staff is managed through a co-ordinated network. About 70 per cent of Cisco's $11bn sales arise from direct orders over the internet, making it one of the largest e-commerce operations in the world.

This information enters the company's accounts automatically, and in many cases is then passed on to third-party manufacturing contractors that deliver the goods. In some cases, no-one at Cisco need ever look at the order. The company just clocks up the sale and books the profit.

Mr Carter believes his system gives him an almost complete view of how the company is trading at the end of every day.

He says he can close group accounts within three days of the end of the quarter. Before the end of 1999, he aims to have that down to one day. Such achievements are not just a matter of professional pride: Mr Carter believes they give Cisco an edge.

Most chief financial officers, he says, receive financial reports two weeks or more after the quarter has closed.

By contrast, Cisco executives see updated figures every morning. "When things slowed down, as in Japan, we saw it nine months before our competitors," he says. Similarly, Cisco was able to respond quickly to the recent pick-up in demand in Europe.

Having an up-to-date picture of trading also helps with investor relations. It cuts down the likelihood of nasty surprises when company results are published. In the past 12 years, Cisco has never once missed Wall Street's expectations. That is as much to do with keeping Wall Street accurately informed as with running the business well. This has been an impressive feat, especially considering how rapidly Cisco has grown.

When Mr Carter joined the company four years ago, it had 4,500 employees. Today it has 17,000. He was hired by John Chambers, chief executive, to manage that transition, because of his experience with small and large companies: he has worked for Motorola, the phones-to-semiconductor giant, and the much smaller VLSI Logic, among others.

"Managing growth has been the issue of most concern," he says. "From a management and fiduciary role, I do not want to lose control. But we also want to continue to move at a rapid pace. The traditional answer to growth is more controls but the bureaucracy then slows you down. How do you stay at the pace of a start up?"

In theory, if systems like Cisco's were implemented universally, it would make the traditional methods of quarterly or half-yearly financial reporting redundant. Mr Carter says he will soon be able to do a virtual close of the company's books at the end of every day. If everyone could do it, why not get companies to report their results daily over the internet?

Mr Carter is uncomfortable with the idea. "When you release information to shareholders you release it to competitors as well," he says.

Even though his system is almost complete, Mr Carter has no plans to move on. He says he likes being a chief financial officer and has no ambition to start up his own operation.

But even if Mr Carter is staying put, his management practices are being adopted far and wide. He says he has had calls from his peers at Dell and Texas Instruments who want to copy the Cisco system.

The company has established a division that provides free advice on using the internet to improve management systems. One day, maybe all companies will be run his way.

Larry Carter Essential Guide

Born: Miami, Arizona, a small copper mining town. "All my family are copper miners. I decided I wanted to do something different."
University: Tempe, Arizona – BSc degree in business administration and accounting from Arizona state university.
Career: 30 years in the semiconductor business. Worked at Advanced Micro Devices, SGS Thomson Microelectronics, VLSI Technology and Motorola. Moved to Cisco in 1995.
Age: 55. Married with three children, all at college.
Reason for success: "I have always worked. From the age of 10 I did newspaper rounds and house painting. I knew that if you want to get ahead, hard work and perseverance were the way."
Worst experience: Paralysed by polio when he was 13, his mother was told he would never walk again. "I refused to believe it. With willpower and therapy, I was able to overcome it." Today the only residual effect is some tiredness in his legs after skiing.
Best experience: Being CFO of one of the world's largest companies. "Not in my wildest dreams did I think this would happen."
Passion: Cars. He owns 10, including "a few" Ferraris, a Dodge Viper and – his favourite – a 1936 Packard 120 Convertible. Interested in post-war history, particularly industry. "I read a lot of books on different companies. Like the Packard Company. It once made some of the finest cars in the world and look what happened to it."
Hero: Peter Gunn, 1960s TV private eye, who was always "cool" no matter how exciting things got.
Chance to be his hero: Cisco recently made a corporate video to tell employees about a new office building. The video was styled as a *Mission Impossible* episode and Mr Carter got to star as a secret agent on a mission to find it.
Holiday: Houseboating at Lake Shasta with family during summer and Christmas at vacation home in Lake Tahoe.
Hobbies: Skiing, fly-fishing, cooking. "I have learned in my job that stress will get to you. Balance is important."

MANAGEMENT BODY LANGUAGE

Actions speak louder than words

Our background and emotions are apparent before we say a word, writes **Adrian Furnham**

How large a tip do you leave in a restaurant?

The answer could depend on the waiter's body language. Research in the US has shown that tips tend to be larger if the waiter touches the diner; if the waiter initially crouches – as opposed to stands – while attending to the diner; and if the waiter gives a big and "authentic" initial smile.

The fact that the same behaviour in the UK might lead to a complete refusal to leave any tip at all highlights an important issue: body language is often culturally distinct. Some winks, gestures and postures do not travel well. Japanese inscrutability, for example, is partly a function of very different rules associated with body language.

Cynics sometimes dismiss talk about body language as amusing trivia. But an understanding of it certainly helps people in business to be better communicators. Nearly all human resources courses in the business world deal with non-verbal communication.

In negotiation courses, trainers emphasise how to "read" one's opponent; in selection skill courses, instructors teach how to detect dissimulation in applicants; in appraisal workshops, video feedback is used to indicate how pleased or disappointed appraisees are with particular feedback. And of course, no sales tuition is complete without advice on what to watch for in customers to maximise sales.

There are a few key points to bear in mind about body language. First, it is not random, but follows certain rules. Take eye contact, for instance. This is in part determined by physical distance (stand too close in the lift and eye contact drops); topic of conversation (shame and embarrassment are signaled by reduced eye contact); interpersonal relationships (we look more at those we like); co-operative tasks (we look more at co-operators than at competitors) and personality (extroverts look more than introverts).

Second, body language is primarily learnt. With few exceptions (such as facial expression), many specific non-verbal features such as gesture and posture are learnt as part of growing up. In Naples, gesture capital of the world, five to six times as many routine, interpretable gestures are used to communicate ideas than are used in London.

'Body language is often culturally distinct. Some gestures do not travel well'

Third, non-verbal cues are a reasonably good indicator of states of emotions, particularly at extremes. Sweating, trembling and fidgeting are all known signs of anxiety that are beyond the person's control.

But all this should not lead one automatically to conclude that communicating with body language (through face-to-face meetings or video links) is necessarily better than using a more restricted medium, such as the telephone, e-mail or post. For one thing, people remember more of a message if they receive it in print rather than via an audio-visual presentation.

It seems that reading requires more mental effort, which results in better memory. In addition, readers go at their own pace and are not distracted by the appearance of the speaker.

For another, it is easier to detect people lying through verbal cues only (in other words, on the telephone) rather than in face-to-face communication. Verbal cues include response latency (taking longer to reply to questions because of having to think through the answer); verbal distancing (saying "one" rather than "I"); slow but uneven speech; an over eagerness to fill silences (because liars overcompensate for silences) and too many "pitch raises" instead of pitch drops at the end of a sentence.

Of course, there are good body language cues to lying. Increased squirming or shifting in a chair; a decrease in hand gestures; a loss of resonance in the voice and an increase in face (particularly nose) touching. The latter occurs supposedly because the hand is brought up to cover the mouth (unconsciously) to prevent the lies escaping, but also because increased nervous system arousal often causes a tickling sensation in the nasal cavity.

Liars are caught because it is more difficult to lie about feelings than about facts.

It is difficult to fake powerful emotions even about long past events. Moreover, old-fashioned guilt means that some people still feel bad about telling serious (as opposed to white) lies. There is also the fear of being caught, called detection apprehension. Finally, liars are caught by "duping delight" – the relief shown when they think they have got away with it.

But beware your new-found ability to catch liars. If one is speaking in a second language, all the verbal cues may look like lying when they are nothing of the sort. And simple anxiety – often found in the job interview, or appraisal, or even public performance – means that people may appear to be lying when they are not.

The author is professor of psychology at London University

Sharon Stone: basic instinct for body language VinMag Archive

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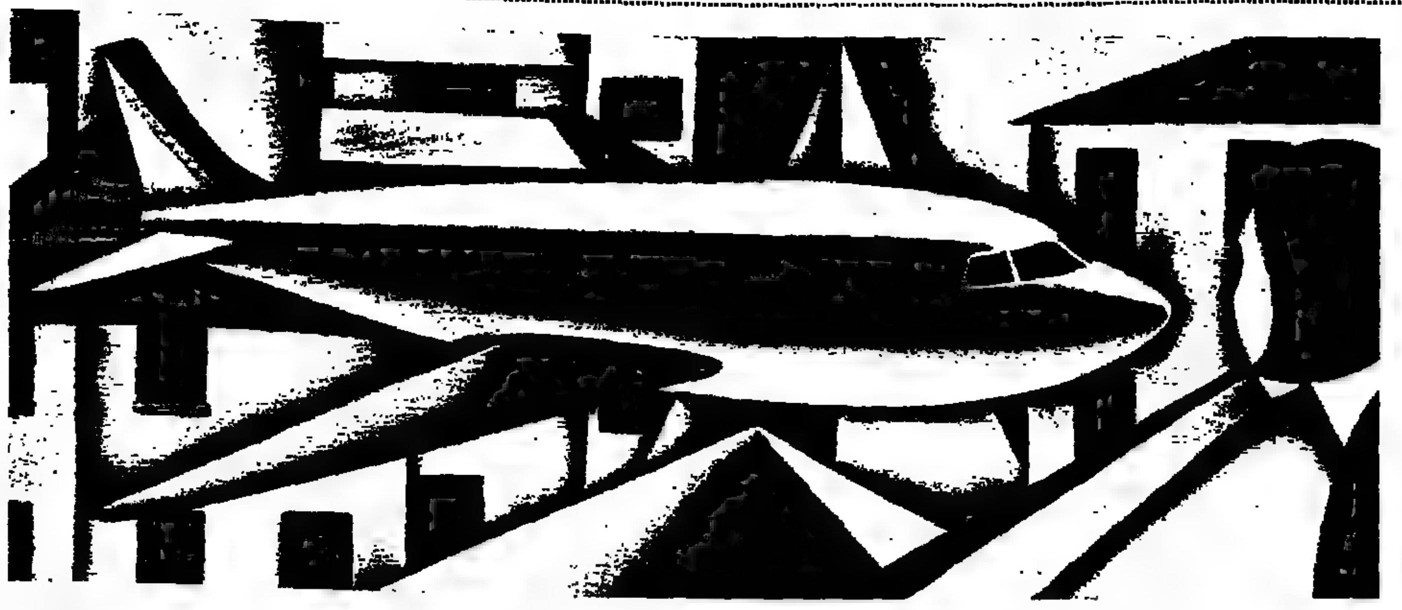
INSIDE TRACK



BUSINESS TRAVEL COSMIC RADIATION

Fear of frequent flying

High altitudes may be bad for your health, writes **Farrol Kahn**

People are exposed to background radiation every day, but some, such as frequent fliers, are exposed more than others. The radiation is caused by electrically charged atoms known as ions that come from outer space. It is also produced by medical X-ray examinations and some industrial and pharmaceuticals products.

Airline crew and frequent fliers receive bigger doses than the general population because at high altitude the Earth's atmosphere is thinner and offers less protection – the exposure can rise from 100 to 300 times more than at sea level. New UK research into the biological effects of ionizing radiation is reviving a long-running debate about the possible health risks and how, if at all, the aviation industry and regulators should be responding.

According to a study by Dudley Goodhead, who runs one of the world's leading radiation and genome stability units, ions can cause genetic mutations in human egg cells and sperm cells, and can damage a developing foetus. Professor Goodhead, who is based at the UK's Medical Research Council, has found that ionizing radiation can produce a wide spectrum of damage to DNA, breaking single and double strands of its double-helix structure.

"This is exciting as we know that cancer grows from a single cell that experiences multiple changes," says Prof Goodhead. "Cosmic radiation increases the chance of changes or aberrations in the cell."

For most people, this should not raise any health issues. But, as Robert Souhami, dean of the Medical School at University College, London, observes: "The radiation risk is dosage related." So the more you fly, the greater the risk.

The average person in the UK receives an annual background dose of 2.6 millisieverts (mSv) of ionizing radiation a year. Air crew and some frequent fliers, including couriers, are at the top of the occupational exposure league with 4.6mSv a year, compared with workers in nuclear plants, who receive 3.6mSv. The annual limit for nuclear power plant workers in Europe is 20mSv, whereas 6mSv is the limit for air crew.

Put into perspective, 200 hours of flight on a subsonic aircraft would produce an annual dose equivalent to 1mSv, but the same duration on Concorde is equal to 2mSv, because the supersonic aircraft flies at a much higher altitude.

A frequent flier on conventional transatlantic routes between London and the east coast of the US, spending 700 hours in the air, could receive an annual dose of 5.7mSv, including the average dose from background radiation.

Wallace Friedberg of the Federal Aviation Administration's Civil Aeromedical Institute, says this represents 170 chest X-rays a year (based on 4.1 hours at 37,000ft equalling one chest X-ray).

Airlines would be reluctant to fit heavy lead lining to cockpits

Over the past decade, several air crew studies have been conducted. In a British Airways survey of 411 pilot deaths, incidences of malignant melanoma, colon and brain cancers were slightly higher than normal. Another larger research programme was carried out by Pierre Band, head of a cancer agency in Vancouver, on 2,740 Air Canada pilots. He found an increased incidence of prostate cancer and acute myeloid leukaemia, and slight increases – not significant statistically – in malignant melanomas, brain tumours and all types of leukaemia.

Another significant study on 1,577 female flight attendants working for Finnair between 1940 and 1992 showed twice the risk of breast cancer compared with the general population.

Reaction to these studies has differed radically. US regulators and health experts believe any harmful effects would be minor. The European Commission, however, is playing safe by issuing a directive that requires all European airlines to start measuring dosages on each flight from next year.

Ionizing radiation can be stopped from penetrating the body only by a thick shield of lead, concrete or water. But airlines and airframe manufacturers would be extremely reluctant to fit heavy lead lining to cockpits.

James Currie, the Commission's director-general for environment, nuclear safety and civil protection, did suggest, however, that manufacturers could try to design aircraft with greater fuel efficiency at lower altitudes.

TECHNOLOGY PHOTONIC FIBRES

Colourful secrets from the butterfly's wing

Photonics – chips that process light – has a natural inspiration, says **Michael Kenward**

Scientists sometimes get their best ideas by observing and imitating nature. Electronics researchers are hoping to emulate the butterfly's wings to create the optical equivalent of the semiconductor integrated circuit.

Photonic devices – chips that can carry and process light signals – could replace the mixture of separate electronic circuits and optical devices that make up the world's increasingly optical telecommunications and data transmission systems.

Photonics generates considerable commercial interest. Marconi Communications, the electronics group, said in February it was expanding its research and development facilities in the technology, creating about 100 jobs at Nottingham in the UK and Genoa in Italy.

Marconi has developed technologies that allow existing optical fibres to carry more data by sending different light wavelengths along the same optical link. The company recently started supplying a new generation of optical multiplexers – devices that combine data and feed it in and out of the communications network.

Marconi has extended the capability of communications optical systems by building multiplexers around optical switches, and it would like to take this further, says Phil Griffin, photonics development director. "The ideal situation," he says, "is that you have a purely optical network, that you switch optically and do all your processing optically."

Researchers hope to develop materials that will enable new applications for optical systems. Nature offers a starting place.

Most coloured objects get their colour from dyes and pigments that selectively absorb some light wavelengths while scattering others. In the butterfly's wing, the colour we see is due to the physical influence of tiny patterned ridges on the light that reaches the wing.

In their search for the electro-optical integrated circuit, photonics researchers want to make light go round corners, or to extract a particular wavelength or colour from the light. They also hope to increase the efficiency of light-emitting diodes in such devices as compact disc players and communications systems.

The butterfly's wing contains tiny scales. Light reflected from the scale's bottom layer interacts with light from the top. The peaks and troughs of the waves add up or cancel out in a process known as interference. What we see are the light wavelengtha that reinforce one another. Where the waves cancel out, we do not see the light.

It might even be possible to create paints that change colour or that avoid toxic solvents

By making tiny patterns in man-made materials, researchers are creating effects in materials that may work in photonic systems. This may lead to devices that do not need electronic circuits and a separate set of optical devices to turn electronic signals into light and to carry this from place to place.

Roy Sambles, head of the Thin Film Photonics group at the University of Exeter, says research into butterfly wings "is telling us relatively novel things about how to make photonic structures". Professor Sambles and his colleagues have found that butterflies employ several physical processes to create colour.

The Exeter group hopes to find fresh ways of producing not only photonic devices but electronic devices that work at different wavelengths, in microwave systems, for example. It might even be possible to create paints that change colour or that avoid toxic solvents.

Another research group, at Bath University, is taking a different tack to produce detailed microstructures within materials. Philip Russell and his colleagues are turning optical fibres into photonic components.

The group takes bundles of silica rods and tubes and draws the bundle through a small die at about 2,000°C. The bundle starts with a diameter of a centimetre and ends up squeezed by a factor of 10,000 to a diameter of about 40 micrometres. The squeezed fibre contains tiny holes less than 100 nanometres in diameter.

The holes are in an even pattern, making up the photonic structure that determines the light's path. In some cases, the light waves in a "holey fibre" can experience the same interference effects as on the butterfly's wings.

The Bath group has demonstrated that its fibres, with their honeycomb structure, can prevent light from escaping. Shining white light into a fibre may mean green light emerging from it.

Prof Russell and colleagues hope to exploit the phenomenon. They have filled the holes with liquids to investigate possible new lasers or devices that can change the wavelength of light as it travels through fibres.

Laser amplifiers are used in increasingly optical telecommunications systems. But there are gaps in the spectrum where there are no suitable lasers. Lasers made from fibres with holes in the middle may fill those gaps.

These are early days for photonic fibres, but several companies are interested. Prof Russell and his colleagues are also considering the commercialisation of the work within the university.

BUSINESS EDUCATION

BUSINESS EDUCATION INDIA CENTRE

Guru with a teaching mission for his country

The mastermind behind a business school for India tells **Khozem Merchant** of his plans

Emotional commitment: Ghoshal wants to provide Indian industry with the necessary management expertise — Ashley Ashwood

Sumantra Ghoshal is flying to Finland – but his mind is on the onward leg to India. In Delhi, the peripatetic management guru will preside over a "doctor's surgery" advising Indian companies. He will tell executives, as he will have told their Finnish counterparts a business-class flight earlier, how to become village heads in the global village.

Prof Ghoshal is a village head himself. He holds the Robert P. Bauman chair in strategic leadership at the London Business School and is a leading management scholar. His book, *Managing Across Borders: the Transnational Solution*, is regarded as a seminal work.

He is also the foremost example of a growing phenomenon: the Indian management scholar. He sits at the apex of a growing body of Indian management academics that has spread from management schools in Calcutta, Bangalore and Ahmedebad to universities in North America and Europe. It is, as one observer said, "a cottage industry, excelling more abroad than at home, typically Indian".

The trend was neatly summed up by a senior official at a European business school. When told that the retiring dean would presumably be succeeded by an "American or European", he replied "or Indian".

It certainly will not be Prof Ghoshal – at least not for now. He has a book to write, another to edit and an India Centre to launch.

The India Centre at the London Business School is Prof Ghoshal's big project. It is driven by emotion. "I count myself very much as an Indian and this [project] is also something personal, getting lots of Indians together to put our companies on the map," he says.

It is also driven by market logic. "India is very salient right now. But to get their companies on the global map, Indian management has to be improved."

The result is the Aditya V. Birla India Centre at the LBS. Commitments of £2m have been received from the Birla family, one of India's largest industrial houses, turning the early idle talk into near-reality.

After a long gestation, the main components are in place, says Prof Ghoshal. The money has been raised; the commitment from LBS is secured; support from the network of Indians at home and abroad is partly achieved; and a director has been selected.

India is rather more fashionable than Indian industry. That is one reason for having such a centre, says Prof Ghoshal. But it will not be the first.

Two US business schools, Kellogg at Northwestern University and the Wharton school at the University of Pennsylvania, have jointly launched an Indian business school, with backing from rich US-based Indians such as Rajat Gupta, managing director of McKinsey, the management consultancy. It will be based in Hyderabad.

Prof Ghoshal says: "Morally and emotionally, we count ourselves as a part of that initiative. The vision [behind Kellogg and the Birla centre] is simple, clear and quite compelling. It says every century new world-class institutions arise. Next century, given the role of Asia, crises notwithstanding, it is not unlikely that some of these institutions should arise in Asia."

Though notionally based at LBS, the Birla centre will be "at one level, a virtual centre of the vast network of Indians we are mobilising to make this work", he says.

> 'In terms of management, quality of values, clarity of thinking, leadership ability, I would count these among the top companies I have studied'

Tuition, discussion of doctoral theses and so on will shift between London and India. An MBA course is not on the agenda but an executive education course is, with the focus on "disseminating [the school's] ideas into Indian industry".

The school will be research-driven. Its output will be relevant to Indian industry and will help "in bridging the West and India", he says.

Typically, a class of doctoral students could go to China to examine how an Indian company (such as Ranbaxy, the pharmaceuticals group) has prospered there. They would be accompanied by managers from rival Indian companies so they can learn new tricks. We can afford this "field research", Prof Ghoshal says. Other schools in India could not.

He is keen to "leverage as much as possible the resources that already exist in India. But we want to do things that others do not. So public policy is out." The focus will be core management issues: strategy, organisation, leadership, change technology – all the functional aspects that make companies tick.

One aim is to improve the quality of doctoral theses produced in India. Despite what Prof Ghoshal describes as "exceptionally high-calibre students", the standard of doctoral research has disappointed. The centre would broker brain-storming sessions between Indian doctoral students, international scholars from the west and top industrialists.

Getting Indian industrialists to join in, as backers and as class participants, is central. Indian students have long complained of industrialists' indifference, while the latter say they are unwilling to trust students with confidential corporate data.

"My hope is that out of the 30 or so studies that we will support, 15 will become genuinely world-class research which we will get published in world-class journals. This will enhance the reputation of research done in India, and will also be genuinely useful to Indian industry."

This would at least redress one alarming paradox: India exports top-class management scholars but rotten research work.

"The top end of India's education system is world-class," he says. "But the reality is that because of inertia, history, inadequate linkages with industry, institutional norms, lack of incentive or whatever, the Indian [research] side doesn't work very well. Given the quality of people, perhaps the research is not, in terms of both quality and quantity, what it could have been. So our objective is to help build that."

The aim is also to showcase the sliver of Indian industry that is genuinely world-class. There are at least 10 Indian companies that Prof Ghoshal ranks as among the finest in the world. "In terms of management, quality of values, clarity of thinking, leadership ability, I would count these among any of the top companies I have studied in North America, Japan and Europe," he says.

The real battle, he says of Indian industry, is a management one. "Yes, there's a technology battle, yes there's a scale battle. But unless they improve their understanding of, and quality of, management, other things won't happen."

He singles out Reliance, the petrochemicals group. "There are few companies I know in the world which have Reliance's skills in large project management."

Reliance is one of 15 top Indian companies that will form the students' subject matter, along with Bajaj Auto, Infosys and Ranbaxy. The centre also has a growing database of Indian companies. Through its sponsorship of doctoral work, seminars and management training, it hopes to emerge as the pre-eminent centre for the study of Indian corporates, covering issues that are relevant to India and, increasingly, the world.

NEWS FROM CAMPUS

Designs on a virtual corporate university

Corporate universities are a growing part of the management training scene, particularly in the US. The Corporate University Xchange is hosting a symposium in Washington DC on April 26 to 28 analysing the best way to design a virtual corporate university.

The Corporate University Xchange will also sponsor the Corporate University Excellence Awards Dinner on April 27. At the dinner five organisations will receive awards for, among other things, creating learning alliances with universities and using technology to create a learning work environment.

Corporate University Xchange: www.corpu.com

Lesson with a deep meaning

Business schools are increasingly using novel situations to bring home management theories. At Theseus, on the French Riviera, deep-sea diving is being used to demonstrate risk.

The course is part of Theseus's "mini MBA" which runs for five months from January to June. The course has been developed by a consortium of international companies, including France Telecom, Du Pont and Ericsson, for their executives.

Theseus:www.theseus.fr

Accreditation for Rotman

The Rotman School at the University of Toronto has been accredited by the AACSB, the US business school accreditation body.

The accreditation covers the school's MBA, executive MBA and other undergraduate and graduate programmes.

Rotman school: www.mgmt.utoronto.ca

Community project

The Helsinki School of Economics and Business Administration has become the latest European business school to join Cems, the Community of European Business Schools. Other members include HEC in Paris, the Rotterdam School of Management in the Netherlands, Esade in Barcelona, and the London School of Economics.

Cems offers a masters programme that is essentially a four or five-year combined undergraduate and masters degree. At some universities – LSE is one example – the Cems masters comprises one year's postgraduate study after a three-year undergraduate programme in management or other relevant subject.

The programme graduates 250 students a year and there are already 1,500 Cems alumni in the workplace.

Cems: www.cems.org

City nights for late learners

London's City slickers will soon be given an extra option for studying for a part-time MBA. Henley Management College, in conjunction with the Financial Training Company in London, will be offering a flexible MBA in the city from later this year.

The format of the two-year programme will include one evening a week face-to-face tuition and distance learning using Lotus Notes, computer conferencing and videoconferencing. The programme will include an overseas study week.

Henley: www.henleymc.ac.uk

Information for News from Campus should be sent to Della Bradshaw, The Financial Times, One Southwark Bridge, London SE1 9HL. Tel. 44 171 873 4673 Fax 44 171 873 3950

BIOTECHNOLOGY HYDROGELS

The soft gels that could spell the molecular future

Water-loving molecules could end up replacing conventional materials in both science and everyday life, writes **Edwin Colyer**

We could be in for a softer future, if the claims of some material scientists are correct. Research into squishy materials called hydrogels, once closely associated with the development of soft contact lenses, is reaching far beyond its ophthalmic origins.

From footwear to the food industry, the applications for hydrogels are expanding, prompted by advances in the underlying gel chemistry. After two decades of research, scientists can now design hydrogels with particular properties from scratch, which gives them versatility.

Hydrogels are made of long-chain hydrophilic or water-loving molecules that are interlinked to form a network. These networks attract water, causing the system to swell.

Some hydrogels have an enormous thirst for water, making them ideal in nappies and other absorbent materials. In agriculture, for example, hydrogels are placed in the ground to absorb rainfall. They slowly release the water to crops during dry spells.

But hydrogels are more than just synthetic sponges. "Hydrogels are smart systems. You can do all sorts of clever design tricks to produce functional gels. It's like engineering at a molecular level," says Neil Graham at Strathclyde University in Scotland.

Hydrogels can also respond dramatically to changes in their environment. In the late 1970s Toyoishi Tanaka, an MIT professor and a leading expert on hydrogels, discovered that altering the conditions around a gel affected its properties. "A very tiny change in the environment can suddenly induce a gel to swell to more than 1000 times its volume. Swelling and shrinking are also reversible," he says.

Over the years his lab has produced gels sensitive enough to be triggered by changes in light and electrical currents as well as solvent and temperature.

So far, the main application for hydrogels has been in the medical field. One common gel – polyethylene oxide – is extremely biocompatible. "This makes it a marvellous material for many medical applications," Prof Graham explains. "It has been used in wound dressings and pharmaceutical products."

He helped develop a method that has been licensed worldwide for the controlled release of a drug. A small lozenge-shaped piece of gel is loaded with the drug and placed appropriately in the body at the desired location.

When filled with water the gels are stable and remain in place for more than 24 hours, ensuring a slow and controlled release. "Drugs delivered in hydrogels are intrinsically safe," says Prof Graham. "There is no chance of an instant overdose as they can only diffuse out of the gel at a given, designed rate."

Ordinary hydrogels swell very slowly, which is why they are useful for slow, long-term drug delivery. In many applications, however, fast-swelling hydrogels are necessary. For example, hydrogels for oral drug delivery need to swell quickly before they are emptied from the stomach into the intestine.

Kinam Park, a researcher at Purdue University in the US, has developed fast-swelling hydrogels. They contain capillary channels inside the dried material so that they expand rapidly in water. Regardless of the size, they swell in around a minute. These fast swelling and super-porous properties could be very useful in various applications ranging from nappies to controlled oral drug delivery systems.

> 'You can do all sorts of clever design tricks. It's like engineering at a molecular level'

The exploitation of such smart gels is by no means limited to the medicine. The food industry is looking at temperature sensitive hydrogels that could be pre-packed as capsules in frozen foods. In the oven the gel would swell, breaking open the capsule to release fresh seasoning and flavourings.

Temperature sensitive gel is being used in golf shoes launched by Foot Joy, a US based golfing wear company. The gel absorbs the heat from the foot and changes to a viscous solution as it gets warmer. This provides customised support by conforming to the unique shape of the wearer's arch.

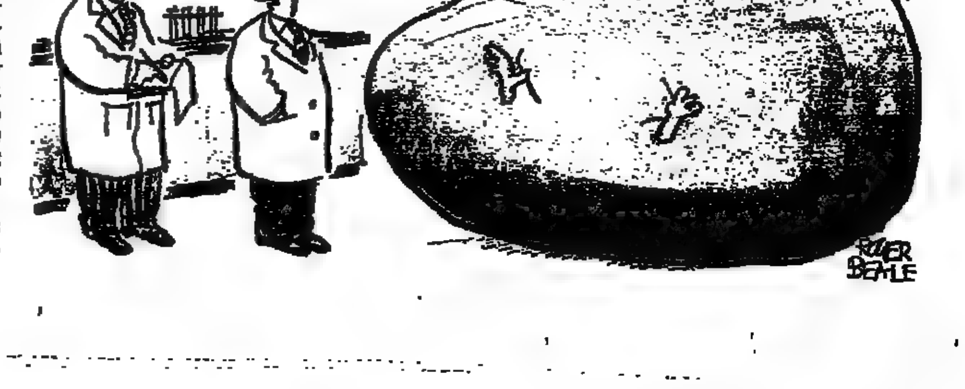
But the most important future applications of hydrogels could lie in medicine. A group in Japan has recently developed a gel that responds to glucose concentrations by imitating the behaviour of Langerhans cells, which produce insulin in the pancreas.

Incorporated into the gel structure is a natural protein that binds to glucose. When the glucose concentration is high it attaches itself to the protein. The gel expands and releases insulin into the blood. As the glucose level is lowered the gel contracts and prevents further hormone release.

Recent research also suggests that gels can potentially perform the same functions as proteins. This could be of immense significance because biologists have yet to find a way to design proteins from first principles.

Prof Tanaka believes these properties will enable scientists to design gels for such tasks as molecular recognition and chemical catalysis. "Because gels can mimic all aspects of life, they will affect all aspects of life too." he says.

"They could well replace many conventional materials."



OPENINGS

TORONTO
On Thursday the Canadian Opera Company gives the world premiere of Randolph Peters's *The Golden Ass* based on an ancient fable about a man whose curiosity for magic results in his transformation into a donkey. Richard Bradshaw conducts; Colin Graham directs. The new work *runs in repertory* with *Il trovatore* for the next two weeks at the Hummingbird Centre.

NEW YORK
First seen in Oldham, Pam Gems' musical *Marlene* is the latest British import to arrive on the New York stage. *Starring Siân* Phillips (left) and directed by Sean Mathias, it opened at the Cort *Theatre last night.*
The Signature Theatre Company *concludes its John* Guare season with a new play, *Lake Hollywood.* The cast is led by Ralph Waite and Kate Burton, and the first night is tomorrow.
Richard Strauss's *Intermezzo* receives its New York stage premiere at State Theater tomorrow, in a City Opera production conducted by George Manahan and directed by Leon Major. It will be sung in Andrew Porter's English translation, with *Lauren Flanigan* and John Hancock as the Storchs.

SHANGHAI
Saturday marks two important premieres for western opera in *Shanghai.* It will be the first time a foreign opera company has performed at the city's new Grand Theatre, and the first time a Wagner opera has been performed in China. The Deutsche Oper am Rhein is giving three *performances of Der fliegende Holländer*, in a production conducted by Muhai Tang and directed by David Walsh.

LONDON
Although Vasily Kandinsky (1866-1944) was one of the most influential painters of the 20th century, there has never been a substantial showing of his work in London until now. The Royal *Academy's long-awaited* exhibition consists of 140 works on paper (right) from every stage *of Kandinsky's career. It opens on* Wednesday and runs until July 4.
The Leonard Bernstein musical *Candide* is the next venture of the *National* Theatre's new repertory company. Opening tomorrow in the Olivier Theatre, it is directed *by Trevor Nunn and John Caird.*
Tennessee Williams's play *Suddenly last Summer* – best *known on film, in two different* versions – returns to the stage this week. Sean Mathias directs *the new West End revival,* opening at the Comedy Theatre on *Wednesday; Gerard Butler,* Sheila Gish and Rachel Weisz lead the cast.
Sadler's Wells Theatre plays host to a Taiwanese contemporary dance troupe, the *Cloud Gate Dance Theatre.* The first performance is tomorrow.

FLORENCE
The Maggio Musicale opens on *Thursday at the Teatro* Communale with Lev Dodin's controversial production of *The Queen of Spades.* Other *highlights of the Maggio include* the Salzburg Easter festival production of *Tristan und Isolde* and a Ronconi staging of Monteverdi's *Ulisse.*

MUNICH
There are three new *operas* at this year's Munich Biennale, all exploring the pre-millennial theme of Time. Gottfried Pilz stages Babette Koblenz's *Investigation on the substance of Time.* Peter Mussbach has written the text for *Mauricio Sotelo's About Love*, and Ukrainian composer Vladimir Tarnopolski brings a three-acter, *When Time Overflows.* The opera performances, beginning at the Muffathalle on Friday, are *accompanied* by concerts, a symposium and a reading with Biennale founder Hans Werner Henze.

Robert Carsen: 'Often I've sat there at a first night thinking: 'Oh my God, that's what I should have done.'' *David Ahmed*

When every look is fresh

Martin Hoyle meets Robert Carsen as he prepares for a new production of 'Semele' in London

Globetrotting opera lovers who suspected that the phenomenon of a production shared between several theatres would mean a terrible uniformity from Vienna to New York are finding the reports of opera's stultification greatly exaggerated. There is a school of directors *that responds to different* audiences and each cast. David Leveaux, on record as saying he does not understand the mere "revival" label, has just rethought *Salome* for the English National Opera, tweaking *if not tailoring* his original production to the cast changes.

Now Robert Carsen brings Handel's *Semele* to the Coliseum after success at the Aix Festival (1996) and Flemish Opera (1998). But London audiences need not expect a formulated facsimile of what *pleased* the French and Belgians. "A production's a living thing," Carsen explains.

"The minute you take it off the shelf and open the book, the minute you put it on its feet, it's inevitably *about making choices. Semele* in modern clothes is different from *Semele* in 18th century costume. Often I've sat there at a first night thinking: 'Oh my God, *that's* what I should have done.'"

Carsen seems an unlikely proponent of serendipity as a working method. His speech is precise, his Canadian accent anglicised, both results of therapy for a childhood impediment. He has *the North American mistrust* of irony, responding with startled puzzlement to the occasional joke before conceding a smile. But the sleekly stylish, slightly surreal, production of Britten's *Midsummer Night's Dream* that also journeyed from Aix to London has shown that *his humour is no less funny* for being deadpan.

This is not ENO's first *Semele.* I remember a production nearly three decades ago, considered daring for portraying the jealous Juno, the goddess *triumphantly* disposing of a rival, putting her feet up with a bottle of champagne and getting drunk. Carsen's *Semele* has its own controversial elements. In 1996, the parallels between the dazzled mortal taken up by the gods and, naively ambitious, ruined by them, *suggested feuds in the* British royal family.

"We didn't consciously *think* of Semele as Princess Diana," Carsen protests. "Now you can't help but draw parallels and *some people may.* For the production team, it was simply a problem of how to present gods *on* stage. Man has always visualised gods in his own image: Wotan and Fricka, Juno and Jupiter, Oberon and Tytania – they are arguably more human than the humans in the same works. It's pointless to drape *Semele's* Juno and Jupiter in togas. We're dealing with a culture of politics, codified, satirised, lampooned. There are no poor people in *Semele.*"

One suspects Carsen keeps a sociological eye open on his travels. Of directing *Zauberflöte* at the Vienna Volksoper last February and returning to the Staatsoper *for Die Frau ohne Schatten*, he points out that they illuminate the Viennese psyche in different ways. San Francisco took the nude-look bodystockings in his production of Boito's *Mefistofele* without a qualm. Chicago demanded figleaves. Dallas complained they were too small, not *realistic enough* for Texan appendages. The production travels to New York in November.

In spite of a forthcoming *Onegin* for the Met, most of Carsen's work is in Europe. A *Jenufa* with Josephine Barstow is on the cards. Poulenc's *Carmelites* face the guillotine at La Scala. Paris beckons with more Handel: *Alcina* with Renee Fleming and Susan Graham, William Christie *conducting* Les Arts Florissants. This prompts a reflection on what Carsen as director *looks for in colleagues.*

"In opera the conductor can cause a division, drive a wedge, between stage and orchestra, or be an enabler. Bill [Christie] has one dangerous thing which I adore: a sense of creating an occasion, each performance *unique to the people there.* In rehearsal he often says: 'My God, that's going to be difficult – but don't change it!' You quickly know if a conductor wants to work in the theatre or just line them up in front." Carsen praises ENO's Harry Bicket as another theatre man.

Patrick Kinmonth, Semele's designer, though new to ENO, is another trusted *collaborator.* "We met after a production of *Semele* at the Royal Academy of Music 20 years ago." Out of the blue, Carsen suggested Kinmonth as designer for a Canadian Opera Company *Katya Kabanova* and they have since worked on four or five productions together. "With the lighting designer Jean Kalman, I've done dozens of shows since 1990. He'll do *my Alcina* and *Hoffmann* with me at the Bastille."

For all his flexibility, Carsen evidently has his preferred colleagues. Rosemary Joshua sings the title role in *Semele* as she has in every revival of this production. "I'd like to do it *only* with her. She'll try out anything *and tell you right away* if she feels uncomfortable. You don't want people to do just what you say: *it's a collaboration.* I'm delighted when someone says they're not happy in something – as distinct from diva-ish behaviour. It's all based on trust, which doesn't happen immediately ... Some singers are *not prepared to give* till the dress rehearsal; some give everything at once and never develop. You need a rolling boil ..."

> **There is a school of directors that responds to different audiences**

Carsen's own career is on a gently rolling boil, kept from bubbling over by the odd seven-month sabbatical: he spent three weeks in Wuppertal *helping* in the Pina Bausch company's 25th anniversary celebrations ("I *fetched people from* the airport; staged a couple of events when they needed a hand ..."). "I try not to plan too far ahead: you can find yourself over-booked, especially if you do revivals." A straight theatre production for the Avignon Festival is all but agreed: Carsen will not identify it but it is an English play performed in French. Proud of being a *Chevalier des arts et des lettres,* he praises *Semele's* libretto (Congreve, plus Pope *and others*) for its "very English" mixture of serious and comic – he quotes Polonius's categories of "tragical-comical-historical-pastoral". It occurs to me that this Canadian has cracked what it is to be European. He certainly has pointed comparisons to make between certain government *subsidies. Top price* for the stellar *Alcina* in Paris will be £60, paltry by London standards but even so considered too high by some Parisians. "And when you think of the national theatres, *national operas,* choreographic centres: Lyon, Grenoble, Montpellier, Tours ..." The *implications* are clear.

We agree that everyone says that Chris Smith, the UK culture secretary, is a nice man. I express alarm at his placing Dylan on the same level as Keats and wonder whether the next pronouncement will place late Beethoven quartets on a par with Oasis. Carsen looks surprised. "But they are," he says, owlishly solemn. "Haven't you heard?" *He is* learning irony. But who can work in the arts in Britain without it?

Semele opens on April 19.

Evil within and without

THEATRE

ALASTAIR MACAULAY

Roberto Zucco
The Pit, Barbican, London

In the opening scene of Bernard-Marie Koltes's play *Roberto Zucco,* one prison guard is moaning to another that, because this is a modern prison from which nobody ever escapes, they, the guards, "have no *raison d'être*". Then – thanks to Martin Crimp's translation – he embellishes the point: "No *raison de* fucking *être.*" You laugh *twice over:* at the liberties he takes with franglais, and because this is originally a French play.

He goes on to speculate about what turns some men, such as those in this prison, into murderers. "Evil," says his colleague. But he goes on speculating; he has heard, *for instance, that* the murdering instinct is somehow connected to a man's penis, and he has therefore studied the prisoners in the showers, but to no avail. The murderers' penises are all shapes and sizes. Again, you laugh.

And you cannot yet realise how much of the moral climate of the play has been introduced in this idle dialogue. For Roberto Zucco, a prisoner who has only just arrived and who shortly will indeed escape from prison, is a *murderer whose motives* go on puzzling us: they may very well come from some natural evil in him (we watch him murder his mother without the least warning), and they may be linked obliquely to his sexual *impulses* (he seduces women as casually as he murders).

But he has streaks of kindness and of poetry too. He is *an alien from society,* but the society through which he passes is not so unlike him: *it, too, has flashes of* unprompted malice and violence, of insidious and/or flagrant and/or repressed sexuality. Sometimes it seems that he brings these things to the surface as he passes: that, like Don Juan, he is an agent of dark liberation in people's souls; that, like *some perilous Father Christmas,* he brings people their secret wishes – the loss of virginity in one case, the experience of appalling violence in another. Sometimes it seems that only in his wake do people rise to little efforts of peculiar tenderness and sudden *flights of poetic* diction. He has no perceptible *raison d'être,* but neither does anybody else. When he is not around, one notices how readily misogynistic the other men are – and how frustrated the women.

Roberto Zucco is eventually ambiguous about its characters. At times, everybody on stage seems objectionable, morally repulsive, perverse; at others, one cares very strangely for several of the individuals. Paradox *abounds – but it is one we* sometimes feel in our own lives, about the (unmurderous, as a rule) motives and behaviour of people we know and, indeed, of ourselves.

I saw James Macdonald's Royal Shakespeare Company production when it was new in Stratford-upon-Avon last year; watching *it again* now that it has reached London, I find the play yet more interesting and disturbing.

Zubin Varla is not ideal casting for the title character – in his tense and heavy-browed mien and chubby waistline I do not recognise the dark angel on to whose beguiling beauty the women of the play project so much of their own hearts – but he demonstrates perfectly the character's many oblique and obscure facets. I am not sure why the three siblings *of one central family* have, respectively, English, Scottish and Ulster accents, but I have no further *cavils* about the staging.

Diana Kent as "an elegant lady" who still needs Roberto after he has shattered her life and Cathryn Bradshaw as the young epitome *of spinsterly repression* are particularly memorable.

The production has transferred well *from* the traverse corridor setting at The Other Place to the audience-on-three-sides *square stage of* the Pit. And Jeremy Herbert's set and Nigel Edwards's *lighting* achieve again an utterly extraordinary effect with light upon a ground of luminous paint: as if by magic, characters at the end of scenes leave their shadows behind them on the *floor. The poetic meanings of* this device alone could occupy one for pages.

Sponsored by Allied Domecq and the Laura Pels Foundation.

INTERNATIONAL

Arts Guide

AMSTERDAM

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Otello: by Verdi. Conducted by Carlo Rizzi in a staging by Klaus Michael Grüber, *with a cast* led by Vladimir Bogachov; Apr 13, 16

BERLIN

DANCE
Deutsche Oper
Tel: 49-30-34384-01
Tokyo Ballet: in the German premiere of Maurice Béjart's staging of The Nutcracker; Apr 14, 15, 16, 17, 18

GENEVA

DANCE
Bâtiment des Forces Motrices
Tel: 41-22-418 3000
Ballet du Grand Théâtre de Genève: La Bayadère. New staging by Etienne Frey, with designs by Gérald Poussin. With the Orchestre de la Suisse Romande conducted by Thomas Rösner; Apr 12, 13, 15, 16, 17, 18

LONDON

CONCERTS
Barbican Centre
Tel: 44-171-638 8891
www.barbican.org.uk
London Symphony Orchestra: conducted by Michael Tilson Thomas *in a program including* works by Charles Ives, Carl Ruggles and Bruckner; Apr 15

Royal Festival Hall
Tel: 44-171-960 4242
● Academy of St. Martin in the Fields: Sir Neville Marriner celebrates his 75th birthday. The programme includes works by Mozart, Britten and Mendelssohn; Apr 14
● London Philharmonic Orchestra: conducted by Leon Botstein in works by Wagner, Khachaturian, and Dvořák; Apr 16
● *Philharmonia Orchestra:* conducted by Christian Thielemann in works by Brahms and Schumann, with piano soloist Andreas Haefliger; Apr 17

EXHIBITION
British Museum
Tel: 44-171-636 1555
The Golden Sword: Stamford Raffles and the East. *Display bringing together* biographical material with objects collected by the self-taught scholar who is chiefly *remembered* as the founder of Singapore. Includes musical instruments, masks and shadow puppets collected by Raffles when he was Lieutenant Governor of Java (1811-16), and plant and animal drawings; to Apr 18

Royal Academy of Arts
Tel: 44-171-300 8000
Monet in the 20th Century: arriving in London from Boston, this exhibition brings together late works by the founder of Impressionism. The 80 paintings on display include important public and private loans, *culminating in a group of seven* of the monumental water lily panels which were the triumph of his *career.* Also included are paintings of London and Venice; to Apr 18

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
● Mefistofele: by Boito. Conducted by Oliver von *Dohnányi in a new staging* by Ian Judge; Apr 15, 17
● Salome: by R. Strass. Conducted by David Atherton in a *staging by David Leveaux, with* Vivian Tierney in the title role; Apr 16

LOS ANGELES

CONCERTS
Music Center: Dorothy Chandler Pavilion
Tel: 1-213-365 3500
www.laphil.org
Los Angeles Philharmonic: conducted by Emmanuel Krivine in works by Richard Strauss, with piano soloist Martha Argerich; Apr 15, 16, 17, 18

EXHIBITION
J. Paul Getty Museum
Brassaï: The Eye of Paris. Retrospective comprising 140 works, which coincides with the 100th anniversary of the photographer's birth. Dubbed 'the eye of *Paris*' by *Henry Miller,* Brassaï celebrated the city in photographic series including 'Paris by Night'. Originated in Houston, the show will transfer to Washington; from Apr 13 to *Jul 4*

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
Munich Philharmonic Orchestra: conducted by Yakov Kreizberg in works by Schubert, Mozart and Shostakovich. With piano soloist Mitsuko Uchida; Apr 13, 14

EXHIBITION
Haus der Kunst
Tel: 49-89-211270
Angelika Kauffman (1741-1807): *retrospective of works by the* Swiss decorative artist, who was a founder member of London's Royal Academy. Includes *paintings, drawings,* prints and porcelain; to Apr 18

NEW YORK

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
● Susannah: by Floyd. James *Conlon conducts a new staging* by Robert Falls, with a cast led *by Renée Fleming and Samuel* Ramey; Apr 13, 16
● The Queen of Spades: by Tchaikovsky. Conducted by Valery Gergiev in a revival of Elijah Moshinsky's staging, *designed by Mark Thompson.* The cast is led by Plácido Domingo, Galina Gorchakova and Olga *Borodina;* Apr 15
● Wozzeck: by Berg. James Levine conducts, with a cast including Hildegard Behrens and Franz Grundheber; Apr 17

New York City Opera, New York State Theater
Tel: 1-212-870 5570
www.nycopera.com
● Intermezzo: by R. Strauss. New staging by Leon Major, with sets by Andrew Jackness and costumes by Martha Mann. Conducted by George Manahan; Apr 13, 16, 18
● Madama Butterfly: by Puccini. Conducted by Guido Johannes Rumstadt in a staging by Mark Lamos first seen in *November,* with sets by Michael Yeargan and costumes by Constance Hoffman; Apr 15, 17

PARIS

OPERA
Opéra National de Paris, Opéra Bastille
Tel: 33-1-4473 1300
www.opera-de-paris.fr
Lucia di Lammermoor: by Donizetti. Conducted by Bruno Campanella in a staging by Andrei Serban and Robert Carsen, *with designs by William* Dudley; Apr 14, 17

ROTTERDAM

EXHIBITION
Kunsthal
Tel: 31-10-440 0300
Weegee: New York night life in the 1930s and 1940s is featured in the pictures of the American *photographer whose subjects* include musicians and strippers; to Jun 20

ST. LOUIS

EXHIBITION
St. Louis Art Museum
Tel: 1-314-721 0072
Beckmann in Paris: previously seen *in Zurich, this show* explores the German artist's relationship to the city he settled in. Work by Beckmann is displayed alongside that of French contemporaries; to May 9

STOCKHOLM

EXHIBITION
Moderna Museet
Tel: 46-8-5195 5200
www.modernamuseet.se
Aleksandr Rodchenko (1891-1956): major retrospective *of the* Russian Constructivist, who was one of the leaders of the post-revolutionary avant-garde; to May 24

TORONTO

OPERA
Canadian Opera Company, Hummingbird Centre
Tel: 1-416-363 6671
www.coc.ca
The Golden Ass: by Randolph Peters. World premiere. With a libretto by Robertson Davies, based on the ancient fable. The *director is* Colin Graham and the conductor is Richard Bradshaw; Apr 13, 15, 17

VIENNA

CONCERTS
Musikverein
Tel: 43-1-5058 6810
Vienna Radio Symphony Orchestra: conducted by Gerd Albrecht in works by Victor Ullmann and Erwin Schulhoff; Apr 16

TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for *Europe can be received in* western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● **CNN International**
Monday to Friday, GMT:

06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:** 05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the *London market opens.*

PERSONAL VIEW JOSE CUTILEIRO

Old soldiers never die

The Western European Union has outlived its usefulness. But Europeans still need a defence organisation of their own

I come to bury the Western European Union, not to praise it.

An odd-job organisation often misused by this or that nation to complicate matters rather than simplify them, a minor institutional anomaly perched between the European Union and Nato, an irritant to those intent on building a coherent European security and defence architecture, the sooner we get rid of it the better. Or so the argument goes.

Its demise will streamline the European security landscape, bringing the EU and Nato closer and shortening the step from decision to action in politico-military matters.

Before doing away with the WEU, however, and in order to do so properly, it is worth considering where we are in European defence as well as how we got here.

After the second world war two strong international institutions grew in western Europe: one, Euro-American, dealing with defence and security, the other, purely European, dealing little by little with practically everything else.

The division of labour was neat and the fact that the membership of Europeans in the two institutions was marginally different (Ireland not in Nato, Iceland, Norway and Turkey not in the European communities) did not matter. When the Berlin Wall fell, the USSR imploded and democratic regimes sprang up in central and eastern Europe. Things changed.

First, the Soviet monolithic threat, demanding monolithic preparedness from our side, disappeared. Freed from the disciplines imposed by the east-west nuclear confrontation, local crises mushroomed, some of them concerning Europeans and North Americans alike (Bosnia, Kosovo), others where only Europeans decided to take action (Yugoslavia before Bosnia, Albania in 1997).

The defence of Europe against external aggression remains a Euro-American task and is Nato's business; crisis management, however, may fall either to Nato or by Europeans alone. Europeans, therefore, must carry a growing share of the burden of their own security and defence.

Second, the process of European integration made great strides. The European communities became the EU, a single market and then a single currency were created, the need for a real foreign and security policy for the Union became urgent.

Institutional steps in that direction were taken or announced. The lack of military capabilities to back up such a policy was recognised in these formations as was the Europeans' commitment to provide for them in full coherence with, and without unnecessary duplication of, Nato's role and means.

Third, with the cold war divide gone, the EU and Nato embarked on enlargement processes that have widened the gap between their different memberships. Since 1995, the EU has taken in Austria, Finland and Sweden. Last month, Nato welcomed the Czech Republic, Hungary and Poland. As a result, four out of 15 EU members are not in Nato and six out of 17 European allies are not in the EU.

Since the Maastricht Treaty of 1992, the WEU has been redesigned to straddle that gap and allow all EU members and all European allies to participate in crisis management operations to which it will give political control and strategic direction. As things stand, the WEU can receive directives from the European Council, where some European allies do not sit, and our military staff – made up of officers from only Nato countries – can work unimpeded with Nato's military staff and with the Supreme Headquarters Allied Powers in Europe, Nato's military centre at Mons, Belgium.

Tough and lengthy political negotiations were needed to achieve this result but we have reached what the market bears. Over the past few years a lot of work has been done with the EU, with Nato and inside the WEU itself to allow the organisation to cope with the management of a crisis on behalf of the EU, using, if need be, Nato assets and capabilities.

What the WEU lacks is clout. For understandable historical reasons, it never impressed its members. This has nothing to do with its decision-making methods; Nato also decides by consensus and consensus is the rule in the Common Foreign and Security Policy of the EU. But the two big institutions carry a weight that forces capitals to take them seriously, to deal with them in a politically coherent way and to refrain, by and large, from frivolous obstructionism.

Finally, by being a separate forum of overlapping memberships, the WEU puts in nations' way the temptation of speaking with forked tongues – a temptation to which they occasionally succumb.

Including the WEU in the EU would remove these problems and, therefore, allow for more effective action – provided the understandings painstakingly negotiated since 1991 to allow the WEU to co-operate smoothly with Nato, both politically and militarily, are transferred to the EU unscathed. Otherwise the institutional reshuffle would leave Europeans much worse off. The rhetoric might sound fine but in practice their operational ability would be sharply reduced.

All this is a far cry from the preoccupations of Tony Blair, the UK prime minister, when he relaunched the European security debate last autumn. He wanted a strong and decisive common foreign and security policy in the EU and he wanted stronger European military means. He was also open to institutional changes but these were secondary to his argument.

Institutional changes, however, are easier, quicker and cheaper to undertake than the other two and, for the time being at least, it is in that direction that things are speeding up. As I hope to have made clear, there are advantages to be gained by integrating the WEU into the EU but if care is not taken, a lot of harm to European ambitions will come from it instead. It would be a shame if the good the WEU has done were to be interred with its bones.

The author is secretary-general of the WEU

Europe must shoulder its own security responsibilities — Reuters

LETTERS TO THE EDITOR

Trade provides important ladder out of poverty

From Mrs Glenys Kinnock MEP.

Sir, Your leader "Avoiding a fruitless harvest" (April 8) is, at best, simplistic, and, at worst, misleading.

The simple fact is that the EU's market access for bananas, produced in the Caribbean, represents only 7 per cent of our imports. As you rightly argue, WTO rules demand compliance and the European Commission has, of course, adapted the regime in order to try to address the issues which had been raised by the complaint made by the US. It is also important to recognise that under the Lome Convention we also have duties and responsibilities which we are bound to honour.

You are right to point out that US trade policy is being driven by multinational producers of bananas. On Capitol Hill they have clearly been very susceptible to their lobbying. It is, however, not the case that the EU is influenced by any comparable pressure. Why should it be incredible that we actually are concerned about the livelihoods of thousands of poor farmers? They would certainly suffer should Europe withdraw its support.

You call for the regime to be "dropped" and for direct aid to be substituted. This is, of course, the US line and one which anyone, who has any kind of analysis of how to deliver effective development cooperation, would reject. Equally, it is wrong to claim that attempts to diversify are not taking place.

Trade provides a ladder out of poverty and under no circumstances should European countries, at this time, contemplate kicking that ladder away. Many of us will continue to condemn the threat of sanctions on industries totally unconnected with this dispute and I welcome the DTI's moves to support our cashmere industry.

We will also continue to work to ensure that when the detail of the current arbitration is analysed we can achieve an equitable outcome for our traditional banana suppliers. In my view, that analysis could reveal opportunities to do just that – perhaps to the chagrin of the US and indeed to Chiquita.

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Deplorable reaction

From Mr Philip Tod.

Sir, The negative reaction of the European Parliament's Socialist and Christian Democrat groups to Romano Prodi's plans to stand for the European Parliament is to be deplored.

Surely the idea that a president designate should propose to submit himself to the test of electoral opinion should be welcomed.

In the scandal leading to the resignation of the Commission, the Parliament complained of commissioners' lack of political responsibility. What better way to encourage such a sense of accountability than to require them to be chosen from elected members of the European Parliament?

The tradition is that the executive is formed from elected representatives, even if they then have to resign before taking office. If Mr Prodi is prepared to do that, there should be no bar to his candidacy.

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China aiming to set international trade rules

From Mr Vincent Wei-cheng Wang.

Sir, It will indeed be in everybody's interest, as President Clinton argues, "if China accepts the responsibilities that come with WTO membership".

But Clinton's assumption is currently a big "if" based more on hope than on reality. Rushing a bad deal on the occasion of the Chinese premier's visit is politically unwise and economically detrimental.

The fact is that China seeks to become a rule-setter, rather than simply a rule-follower, in such international organisations as the WTO. China has led many developing nations in criticising the Bretton Woods system (the WTO, the International Monetary Fund, and the World Bank) – the global economic system created after the second world war according to the Anglo-American liberal ideology and supported by US hegemonic power.

The key difference is that while other smaller poor nations can only complain about the WTO's "injustice", China, with its anticipated great power status, actually seeks to change the system according to its image.

Pundits have often attributed China's obstinacy to its difficult transitions from a command economy to a market economy. But it is misguided to overlook this more fundamental reason for US-China wrangling over the WTO.

Vincent Wei-cheng Wang,
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Consumer protection remains important

From Ms Sheila McKechnie.

Sir, I wonder whether Mr John Hall is in touch with the real world (Letters, April 6). Of course, the ombudsman must be fair and even-handed, but it is simply bizarre to suggest that consumers do not need protection in the sophisticated world of retail financial services.

His letter presupposes that we have a balanced market place based on accurate information. The reality is we have a complete imbalance in terms of market power and information.

As chairman of one of the industry schemes, Mr Hall amply demonstrates the association's concern about the prevailing attitudes and bias of those running some of the existing redress schemes. This is one reason Consumers' Association has supported the new approach.

The current orchestrated onslaught of the industry against the new bill is regrettable. This industry has lost the confidence of consumers and the most effective way of restoring it is to support the new regulatory regime.

It is risible to put up an argument that the industry needs protection from exploitative consumers in the context of the recent series of retail financial service scandals.

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Grand corporate drama

The bid for Telecom Italia is turning into a saga of operatic proportions. **Paul Betts** looks at the options open to Franco Bernabe, its chief executive

Not even Italian grand opera can match the saga that is unfolding over Telecom Italia.

But this weekend there were also moments of music hall farce as Telecom Italia shareholders, together with an army of bankers, lawyers and journalists, gathered on Saturday in Turin for what promised to be the showdown in Europe's biggest postwar takeover battle.

Telecom Italia had called a long-awaited shareholders meeting to approve its measures to fend off the €60.4bn ($65.6bn) hostile bid from Olivetti, its much smaller Italian telecommunications rival. Under the country's new takeover rules, it needed to assemble at least a third of its voting capital.

On Friday, it said more than 33.5 per cent of voting shares had been registered. On Saturday morning, shareholders representing only 22.3 per cent of the voting capital showed up. A group holding about 5 per cent of votes was apparently waiting outside the hall but mysteriously failed to make it inside in time to register.

After waiting 40 minutes, Berardino Libonati, Telecom Italia's chairman, announced the meeting could not take place. The company's board went into a crisis huddle.

Franco Bernabe, Telecom Italia's embattled chief executive, attempted to display his usual cool composure to a scrum of television cameras and paparazzi. He was not stepping down, the contest was by no means over, and he would continue to fight to "maximise the value of the company for its shareholders".

Until Saturday's fiasco, Telecom Italia seemed to have the advantage over Olivetti. Institutional investors were concerned about Olivetti's highly leveraged offer in cash, bonds and shares and the delay in filing its bid prospectus. Olivetti also admitted it made an "unforgiveable error" when it disclosed it had sold 24.4m Telecom Italia shares the very day it raised its offer from €10 to €11.5 a share.

But Mr Bernabe always knew it would be difficult to get his defence plan approved. This involved a generous share buyback, the conversion of Telecom Italia non-voting shares into common voting stock, and acquiring the 40 per cent minority stake the company did not hold in its Telecom Italia Mobile cellular telephone subsidiary.

Part of his problem stems from Telecom Italia's fragmented shareholding structure. It has more than 1m small investors and the group of core or friendly shareholders put in place at the time of its privatisation two years ago controls barely 7 per cent of the company. Italian institutions own about 12 per cent while the lion's share of about 37 per cent is held by US and British institutions. The Italian Treasury owns 3.4 per cent and a "golden share" – giving it veto rights on significant board decisions – and the Bank of Italy has another 2.3 per cent.

By the middle of last week Telecom Italia was confident it would assemble investors representing up to 40 per cent of its shares. But the fact they failed to turn up suggested, in the words of one Milan investment banker, "they decided to vote with their feet". Many did not like the savings share conversion plan that would dilute their stake. The international institutions preferred to sit back and wait for a higher offer. And Olivetti had also made it clear it would withdraw its bid if shareholders approved Mr Bernabe's defence plan.

Bankers close to Telecom Italia yesterday claimed a determining factor in the low turnout was the government's decision not to attend the meeting. "Many Italian funds and small shareholders took the lead from the government and stayed home," one explained.

There was anger yesterday in the Telecom Italia camp over the government's stance. By remaining neutral, it had favoured Olivetti, claimed senior Telecom Italia officials. From the start, Olivetti has benefited from the tacit, and at one stage, open backing of the government. Massimo D'Alema, the prime minister, initially welcomed the bid but made a quick retraction, saying the government was neutral. Salvatore Cardinale, communications minister, said on Friday: "Let the best offer win."

The fact the government is seen to be taking sides in this corporate fight appears to show that it wants to play its part in re-shaping Italian capitalism, which for too long has looked after the interests of a few powerful shareholders rather than the majority of investors.

The government has made a public commitment to developing modern and open financial markets. But this commitment can only work if the government itself suppresses its own *dirigiste* instincts to control the process, as well as any rearguard action by the vested interests of the old system of crony capitalism. "*It is all* part of the growing pains of transforming and modernising an archaic political and economic system," said a leading Italian industrialist.

'This is a live performance. Every act is being written as the drama unfolds. Who knows how it will end but whatever it is, it will be a grand finale'

For the government, the attraction of the Olivetti offer was that it provided an "Italian solution" to resolve the ill-conceived privatisation of one of the country's national champions.

By taking over Telecom Italia, Olivetti, which has experienced its own recovery over the past two years, would keep the privatised group under Italian control and at the same time show the outside world that hostile bids were possible in Italy.

The centre-left government also saw the Olivetti bid as an opportunity to undermine the influence on Telecom Italia of the Agnelli family, which controls the Fiat automotive group. Although the Agnellis own only 0.6 per cent of the company through Ifil, one of their holding companies, the government has always suspected the family pulled all the strings.

When Olivetti announced its plan to bid for Telecom Italia in February, Mr Bernabe came under pressure not to go against the government. However, after the initial shock of finding himself at the receiving end of a hostile bid backed by the government barely two months after his appointment, he decided to fight back.

Rather than falling into line with the government's stance, Mr Bernabe decided to garner support from international investors with a plan to increase shareholder value. But his defence strategy has not worked so far.

He now has various options. He could sit back and see how the market reacts to Olivetti's offer when formally launched at the end of this month. But he is more likely to take action. He could resort to a "white knight", a company that rescues a takeover target from an unwanted bidder.

There is talk that a company such as British Telecommunications, Deutsche Telekom, Telefonica of Spain or SBC of the US could come to the rescue. But the government is worried about the risk of a foreign takeover and is understood to be considering using its golden share to block such a move.

But should any white knight be a European telecoms group, the government risks colliding with Brussels at the same time as damaging the credibility of its commitment to open markets.

The situation could change in Telecom Italia's favour if Olivetti itself became a takeover target.

Saturday's fiasco in Turin was only the latest act in a grand corporate drama that will shape Italian capitalism. "This is not a dress rehearsal but a live performance," said an Italian banker. "Every act is being written as the drama unfolds. Who knows how it will end but whatever it is, it will be a grand finale."

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Zhu's best offer

Only two or three months ago it would have taken a brave person to bet on the concessions now offered by China in its bid to join the World Trade Organisation. That China would slash tariffs on farm imports, open its telecommunications and insurance market and even allow foreigners to own and operate cinemas would have been simply unthinkable.

These and other striking concessions are testimony to the determination of Zhu Rongji, China's premier, to join the institution. The US administration regards them as still not quite enough, but insofar as this reflects nervousness about Congressional reaction, there is a risk of losing a valuable prize.

China's tariff commitments are black and white. They can scarcely wriggle out of them. Moreover it has promised to bind lower tariffs in the WTO, which means they cannot be raised subsequently at whim. More uncertainty surrounds the commitment to open up service sectors and remove non-tariff barriers, for example by imposing commercial procurement criteria on state enterprises.

Opening up the distribution system, hitherto tightly controlled by the government, is also on paper a highly significant concession as it removes a serious obstacle to imports from medecinas to fartiliser. But there will be a natural temptation for China to resist enforcement.

There has always been a basic contradiction between China's desire to join the WTO and its deep-seated rejection of "interference" in its internal affairs. For some Chinese, even after accession, this is what the WTO dispute settlement process will be. There will be widespread opposition to rulings imposed by an outside body in which the US has an important say.

Yet such worries would remain whatever the quality of China's accession offer. If there is ever to be a deal, the US must at some stage both accept China's good faith and recognise – as Europe has had to over bananas – that the WTO's dispute process does have some bite.

Delay carries considerable risks. Mr Zhu must now return home without a deal in his pocket. He may struggle to keep concessions on the table indefinitely. As the US presidential election looms ever closer, it may become harder to win Congressional support for a WTO deal.

Much now depends on the business community. If it recognises in China's offer a deal more valuable to US interests than it could previously have hoped for, it should be able to swing public opinion behind the idea. But business lobbies must act quickly and decisively, or an opportunity to prise open China's markets may be lost for years to come.

Commodities

Last year's plunge in commodity prices was one of the main factors driving down global inflation, in the process making it much easier for policymakers in the US and Europe to support growth by reducing interest rates without risking domestic overheating. But do recent rises in commodity prices – particularly that of oil – mean that the threat of inflation is back?

Supply cutbacks are sending the price of oil soaring. This is partly a result of the recent Organisation of Petroleum Exporting Countries agreement and partly because of reduced levels of investment last year. Already oil prices have risen by nearly 30 per cent this year, from $11 per barrel to more than $14.

The sudden turnaround from falling to rising oil prices will push up inflation significantly this year. Goldman Sachs forecasts that a $17 per barrel oil price would raise Organisation for Economic Co-operation and Development consumer price inflation by 0.6 percentage points in 1999 and reduce output by 0.5 percentage points. JP Morgan calculates that if oil prices rise to $17.50 by the end of the year, the US consumer price index, which rose 1.5 per cent in 1998, will increase by 2.4 per cent this year.

Wage demands could edge upwards, particularly in the US where labour markets are already tight.

One consolation, though, is that low global demand and high competition for manufactured goods mean companies do not have much pricing power. Higher energy costs are more likely to be absorbed than passed on.

Also, what is happening to oil is far from typical of commodity markets in general. Many markets are plagued by over-supply, and, although there is talk of reducing output, in the absence of formal cartels no individual producer is willing to go first.

Recovering global demand may mean that prices at least stabilise this year, although developments in Latin America will be critical. A further deterioration in Brazil's economy would lead it to export more, further driving down prices of commodities such as coffee and sugar.

But the long-term outlook for most commodities is bleak. The World Bank's recent report on global commodity markets warns that technological advances and market liberalisation will keep prices depressed for decades.

Deflationary forces are still dominant in the world economy and a commodity price boom is not on the cards. But oil price-related increases in inflation this year, together with a pick-up in global growth as the year goes on, will show that inflation is not entirely dead. The balancing act for policymakers is set to get harder again.

Too good to win

How very good British Sky Broadcasting is at what it does. This is the theme of the UK Competition Commission report that recommends against the company's acquisition of Manchester United Football Club.

The nub of the commission's argument is that BSkyB has been so skilful in exploiting its rights to broadcast Premier League soccer it should not be allowed to own such an influential club.

The government – which has appeared keen to curry favour with Rupert Murdoch, BSkyB's ultimate controller – accepted these arguments. It is less clear that they apply to other bids by broadcasters for Premier League clubs. And the commission's subsidiary "good of football" arguments are even less plausible. That does not matter. The competition arguments against the bid are strong enough.

BSkyB has obtained a dominant position in pay-TV in large part through offering strong sports programmes – especially live Premier League football matches. It does an excellent job in broadcasting them and an even better job in heading off threats to this dominance. The commission's report is littered with examples of smart commercial decisions – BSkyB's pricing of its three sports channels, its skilful undermining of a potential cable rival, its de facto control over access to Astra satellite analogue transponders – which reinforce the company's power.

Acquiring British football's most important club would inevitably allow it greater influence over the rights to broadcast Premier League matches. At the least, it would have informational advantages. At the extreme, it might be able to use Manchester United's overwhelming popularity to obtain a veto over decisions it disliked. This would reinforce BSkyB's sports programming stranglehold, strengthening its dominance of pay-TV just as it is coming under threat from digital technologies.

The commission's arguments might not apply with the same force to the acquisition of weaker clubs; or to a purchase by a weaker broadcaster, such as the bid by NTL for Newcastle United, which is also to be scrutinised.

This is where the commission's feeble "good of football" arguments are relevant. Much of the emotion over the BSkyB bid has been generated by dislike of the way soccer is changing. But once Britain's football clubs started down the path towards commercially-minded management, traditional football values were bound to change, regardless of ownership.

The combination of BSkyB and Manchester United was, as the commission has demonstrated, undesirable. But its drawbacks are specific to that combination. No general threat to soccer has been shown and other football bids by broadcasters must be judged on their merits.

Crisis in the making

With supra-national banks on the horizon, John Plender warns that Europe's supervisors are not keeping pace

Since the launch of European economic and monetary union on January 1, the pace of consolidation among the larger banks of the euro-zone has been breathtaking.

In Italy two giants, San Paolo-IMI and UniCredito Italiano, are proposing to merge with Banca di Roma and Banca Commerciale Italiana respectively. In Spain the big link-up is between Banco Santander and BCH, while in France Banque Nationale de Paris is stalking Société Générale and Paribas, both of which would prefer a merger of their own.

So far the merger wave has been contained, for the most part, within national borders. But it is clear that some of the deals are intended to be intermediate stages on the way to the development of supra-national champions. This raises big questions for banking supervision. The most indelicate is: what happens when one of the new euro-behemoths runs into trouble?

There is no clear answer. For the European Central Bank has no decisive legal mandate to act as a lender of last resort in a banking crisis. So, despite Emu, banking supervision is still handled at the national level.

If banking history has one consistent message, it is that large-scale changes in the structure and regulation of this highly leveraged industry are almost always followed by failures of banking supervision and financial crises. In particular, liberalisation has an unremitting capacity for exposing flaws in the system.

The combination of Europe's single market legislation and the single currency must count as one of the most potent deregulatory shocks ever imposed on a continental banking system. It is also unprecedented in that the task of managing the currency in the euro-zone has been divorced from banking supervision.

This, then, is a uniquely challenging environment for central bankers and governments. And history offers another alarming lesson – namely, that it takes a full-blown financial crisis to bludgeon politicians and central bankers into putting appropriate measures in place for crisis prevention and management.

The likely contributory factors to such a crisis are not difficult to discern. For a start, the growth of pan-European lending, along with the prospect of more cross-border mergers, increases the scope for financial contagion.

Some governments will be spurring their banks into geographic expansion, while encouraging further exposure to the dangerously macho game of global investment banking. Meanwhile, increased competition will lead to a profits crunch – the invariable consequence of market liberalisation. Systemic risk will increase accordingly.

And as the International Monetary Fund pointed out in its survey of international capital markets last September, the difficulty of downsizing and closing banks in Europe's very inflexible labour market will mean that unprofitable banks may continue to operate while assuming greater risks.

William White of the Bank for International Settlements, the central bankers' bank, fears a collective weakening of all banks, with attendant risks of a systemic crisis.

Against that background it is disturbing, as the IMF study points out, that the ECB in Frankfurt has been given a mandate to focus almost exclusively on monetary policy, with only a limited, peripheral role in banking supervision and no responsibility for providing liquidity support to individual banks. There is no central provider or co-ordinator of emergency liquidity in the event of a crisis.

This minimalism, which derives from the Maastricht Treaty, reflects a deeply entrenched German preoccupation with moral hazard – the risk that the existence of a safety net would encourage imprudent behaviour. The Bundesbank did not, in the pre-euro world, have explicit responsibility for the stability of the German financial system. Nor did it have the power to act as a lender of last resort.

The growth of pan-European lending increases the scope for financial contagion

It is questionable whether this borrowing from the German model makes sense for Europe. In postwar Germany capital markets were under-developed and there was widespread public ownership of banks and heavy regulation. As a result, financial crises were more readily controlled than in the US and UK.

Today, the culture of European finance is more transactional, fast-moving and liberal. The barriers between banking, securities and insurance have become fluid. So there will be a premium, in future, on flexibility. Whether the ECB will be capable of such flexibility is moot.

Where crisis prevention is concerned, defenders of the minimalist approach argue that the separation of banking supervision from the central bank is hardly novel. Only two of the 11 participants in the euro-zone leave supervision in the hands of the central bank.

There are no obstacles in the European banking directives or the Maastricht Treaty to voluntary co-operation between banking supervisors. Mechanisms exist for bilateral and multilateral co-operation in the European Union, most notably in the Banking Supervision Committee on which the various national supervisory authorities are represented. At a less exalted level, supervisory officials on the so-called "Groupe de Contact" discuss individual banking cases.

As for the lack of apparent provision in the Maastricht Treaty for the ECB to act as a lender of last resort, the usual defence is that there is a need for "constructive ambiguity" to avoid moral hazard. Moreover, the textbook example of last-resort lending to solvent but illiquid banks rarely applies in the modern world.

With the notable exception of the support offered to the Bank of New York in 1985 to cope with a payments problem arising from a computer breakdown, recent financial crises have been confined to insolvent institutions. Last-resort lending has, it is argued, become a form of bridging finance to stabilise conditions until taxpayers' money is to hand.

'Co-operation will allow a euro area collective supervisor to act as effectively as a single supervisor'

All these points are true. And there is provision in Article 105(6) of the Maastricht Treaty to entrust supervision to the ECB without amending the treaty.

But according to Tommaso Padoa-Schioppa, a member of the ECB's executive board, there are other, more important, priorities. He argues that "co-operation among banking supervisors...will allow a sort of euro area collective supervisor to emerge that can act as effectively as if there were a single supervisor".

But is this voluntaristic, evolutionary approach to the potentially explosive growth in European cross-border banking activity adequate when merger-hungry commercial bankers have the bit between their teeth? Multilateral supervision is, after all, the toughest of challenges – witness the difficulties in handling BCCI, the fraudulent international bank that every half-awake watchdog could see coming.

In practice, the ECB is likely, in any banking crisis, to face a decision on whether to allow national central banks to provide liquidity to troubled institutions. Even assuming it does have legal powers to give the go-ahead, as Mr Padoa-Schioppa argues, the ECB would need immediate access to supervisory information to assess the credit risk involved and decide whether it was dealing with a liquidity or solvency problem. Yet the ECB will have to ask for national supervisory data to address Europe-wide systemic threats. It has no automatic or systematic flow of data.

As the IMF has pointed out, speed is a critical factor in the handling of financial and systemic crises. Is it plausible that this new and untried institution will prove adept at crisis management within a framework that so obviously invites fumbling ad hoc-ery, especially when the Maastricht Treaty is ambiguous on whether the role of lender of last resort is to be conducted at national or European level?

What is clear is that it will take very large bank failures to pose a European systemic threat. And one factor in the present dash for growth by acquisition may be bank managements' desire to be perceived by markets as too big to fail; likewise to be beyond the reach of predators and any accountability to shareholders.

At the same time Mr White has speculated that there could be problems with institutions that are "too big to save", where the cost to the taxpayer in smaller countries would be too daunting or inconsistent with the fiscal rules of Europe's Stability and Growth Pact.

Indeed, in the absence of political as well as monetary union home country governments could be reluctant to accept the full cost of rescuing a genuinely international bank based on their territory. The outcome would be a game of fiscal pass-the-parcel between the member states.

Nor is it difficult to envisage circumstances in which a national financial crisis might escalate into a systemic crisis. In such matters, ambiguity is not always constructive.

It is impossible to predict the precise nature and timing of future banking crises. But the moral hazard that arises from some banks being too big to fail, combined with the dramatic changes in the structure of European banking, guarantees a crisis in the next decade.

Mr Padoa-Schioppa is confident that multilateral banking supervision will develop to the point where Europe has a collective euro-zone supervisor and that such a supervisor could match the speed and effectiveness of a national supervisor.

If he is right – and many market practitioners doubt it – the question is whether Europe reaches that destination before or after a crisis.

History offers absolutely no cause for optimism on that score.

OBSERVER

Trading places down Mexico way

Manuel Robleda, president of the Mexican stock exchange, is up for re-election next week and there's plenty of gossip being traded about whether he'll get another term.

As the determined head of an often volatile bourse for the last seven years, Robleda, 50, has earned the grudging respect of his peers – but maybe made a few enemies – in his bid to overhaul the market and make it profitable. The bespectacled veteran broker pioneered the opening of the bourse to foreign investors, introduced new financial instruments and, for the first time in its 105-year history, has seen it pay dividends to capital-hungry shareholders.

Most recently, he put the dome-shaped exchange building up for sale, a move intended to help cut the cost of a share in the exchange – currently more expensive than Wall Street – from $3m to $700,000. But perhaps his boldest move was the switch to electronic trading, even if some say he put the cart before the horse.

The costly system has repeatedly run into problems, halting trading for hours at a time. Even so, trading volumes are up dramatically since the beginning of the year. Robleda's next big campaign – if he gets the chance – is to forge an alliance with other exchanges or even engineer a public listing.

But critics claim he's remained true to his Mexican roots when it comes to top-down management, creaking bureaucracy and irritating levels of secrecy. Still time for him to open up a bit – if he wants another crack of the whip.

Chicago bull

Chicago didn't get where it is today without a little light meat-packing and wheat-stacking. So it might seem entirely natural that Zhu Rongji, China's granite-faced premier, headed for a farm yesterday as the mid-west leg of his American visit got under way.

But, this being Chicago, the patch of bucolic bliss singled out for the honour wasn't that natural. Marellbar is a sprawling 865-acre property, but it's barely a cow's tail away from the suburban homes of the city's most moneyed traders and celebrities. It is owned by Tom Pritzker, whose family owns an array of industrial businesses and the Hyatt hotel chain.

In return for laying on a reception for the Chinese visitor, Pritzker and wife Margot were allowed to line up and present Premier Zhu with a 1,500lb genetically bred Angus bull. Pritzker, incidentally, last month opened what's claimed to be the world's highest hotel – in Shanghai. Zhu, no doubt, can expect a room rate discount – unlike his new bull.

Tulip mania

Spring has hit New York, the "boids are cholping" as they say in Brooklyn, and the flowers are out. Manhattanites have spotted that the flower beds at Park Avenue and 57th Street have sprouted 12-foot high red and white tulips, a new aluminium sculpture by artist Edwina Sandys.

It's not the first time Sandys has grappled with giganticism. One 32-foot long piece of hers, "Breakthrough", is on display at Westminster College in Fulton, Missouri, where her grandfather, Winston Churchill, made his famous "Iron Curtain" speech.

Made from eight sections of the Berlin Wall, it has two human-shaped doorways through which the likes of Ronald Reagan, Margaret Thatcher and Mikhail Gorbachev have walked. As for those giant tulips – well, the place used to be called New Amsterdam.

Open book

It's good to know some German chemicals companies aren't afraid of revealing their past. BASF is celebrating the 50th anniversary of its re-establishment after the second world war by commissioning academics to write its history since 1865.

The company was one of the three chemicals concerns merged into I.G. Farben in the 1920s – the other two being Hoechst and Bayer. Farben was dismantled by the Allies and a dozen of its top executives were jailed after the company built its own slave labour camp close to Auschwitz to help the Nazi war effort.

Raymond Stokes, a history lecturer at Glasgow University, is charged with covering the Farben era. It's the first time that BASF has given independent historians full access – and it's pledged not to vet the 800-page work, whatever they turn up.

Up and away

It's thoughtful, it's aeronautically exciting – and it might just solve the Kosovo crisis. The transcendentally meditating Natural Law party wants to deploy 7,000 meditation and yogic-flying experts to war-torn Yugoslavia. John Hagelin, the party's US presidential hopeful, says his offer will reduce stress in the region and lead to peace. Let's hope the yogic flyers don't show up on radar.

Hot dog!

Democrats Abroad has sent UK members an early reminder: "4th of July picnic will take place on Sunday July 3rd [don't get technical]." Not to nit-pick, but Sunday actually is the fourth.

Financial Times 100 years ago

The Kaiser in Palestine

If the Kaiser's visit to Palestine last autumn has not done much for Germany, it has at least been of some little benefit apparently to the Holy Land itself.

According to a report from Jerusalem, the German Emperor's tour "caused a stimulus to road-making and municipal improvements in general, and Jerusalem and Jaffa will benefit for some years to come".

What a comment on Turkish misrule that it requires the spur of the Emperor William's pageant to induce the authorities to attend to the duty of making their country habitable.

50 years ago

U.S. Farm Subsidies

New York, April 11. The most immediate point of importance in the proposed revolution in the farm subsidy programme by Mr. Brannan, Secretary for Agriculture, is the fact that for 1950, when they would go into effect, the proposed supports would be mostly above present support levels. Thus the Brannan support level for tobacco would be around 49 cents against the present 39.3 cents.

FINANCIAL TIMES

MONDAY APRIL 12 1999

THE LEX COLUMN

Opera buffa

What a date to be late for. Mysterious no-shows from investors meant Telecom Italia could not hold a key vote on its defence plan against hostile bidder, Olivetti. This is an excruciating put-down for Franco Bernabe, Telecom Italia's chief executive, and strengthens Olivetti's position. What happens next depends partly on why investors stayed away.

Some may have chosen not to vote because they prefer Olivetti's offer – although one might then have expected them to vote against Telecom Italia. Some may have been confused by new regulations governing votes in takeover situations. Others may have wanted to keep Telecom Italia in play for longer, without necessarily endorsing Olivetti.

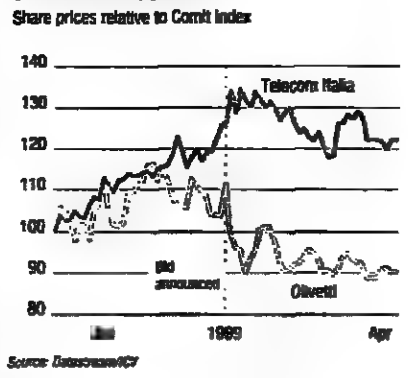
What can Telecom Italia do? It could beef up its industrial plan, especially its cost-cutting targets, and trust that investors will shy away from Olivetti's offer when it is formally tabled. Another option would be a deal with an international rival prepared to outbid Olivetti. None has emerged yet. But that is not surprising since any counterbidder was unlikely to move until Telecom Italia had gauged the support of its investors.

The Italian government may object to international interlopers, but if it did, it would risk a confrontation with Brussels.

A stand-off between the Italian government and the European Commission – led by Romano Prodi, former Italian prime minister – would be an appropriately dramatic finale to this corporate drama.

Telecom Italia/Olivetti

Share prices relative to Comit index



Source: Datastream/ICV

Compaq

Spring brings flowers, sunshine and, these days, Compaq profit warnings. Just like last year, the group has made a mess both of its own results and market expectations: first-quarter earnings will be less than half analysts' estimates. Weak demand, lower prices and an unfavourable sales mix are to blame.

Logically, if the world's biggest personal computer maker is in trouble, so is the whole industry. There is some evidence for this view.

IBM's PC division lost $1bn last year and smaller rival Micron Electronics also warned recently. Average PC retail prices in the US are now down to $900. And with the rise of the internet, bandwidth matters more than processor power, making it less vital to upgrade machines regularly. Against that, Dell Computer proclaimed last week that it still expects the PC industry to grow 15 per cent this year and its own sales by a multiple of that. Meanwhile Microsoft, whose software is installed on most of the world's computers, has seen no unusual slowdown in shipments.

So what is really going on? Most likely, underlying demand is still relatively healthy, but the direct sellers like Dell and Gateway are continuing to take share from traditional vendors. On top of that, Compaq itself seems to have built up too much inventory. If that is the case, its already-battered stock, as well as Hewlett-Packard's and IBM's, should come under pressure.

But there seems little reason for a general market meltdown.

Defence stocks

It may seem a little macabre to look for beneficiaries of the Kosovo conflict, but then the stock market is not sentimental. Since Nato started its bombing raids on March 24, shares in British Aerospace and Smiths Industries have climbed nearly 9 per cent, while GKN is up 8 per cent and Raytheon by 7 per cent.

There is cold-blooded logic in this. Jane's, a military research group, estimates that Nato has spent close to $1bn in less than three weeks, most of it on armaments and fuel. The US, for example, has fired off over 150 cruise missiles, made by Lockheed and Boeing at a cost of $1.2m each, as well as losing a $35m stealth fighter, also built by Lockheed. Matra's missiles and Raytheon's laser-guided bombs have also been in action, while the heavy use of warplanes should benefit BAe, Rolls-Royce and the big US defence groups that service them and supply spare parts. Further out, there may be a "war dividend" if countries reassess their military needs in light of the conflict.

Speculation that Nato will be forced to send in ground troops equipped with fighting vehicles and helicopters has helped buoy GKN, which manufactures both. But if that turns out to be the case, the stock market may have other worries than picking winners among the defence stocks.

French banks

Things are turning ugly in the three-way bid battle between France's largest quoted banks. Banque Nationale de Paris is demanding the French Bourse investigate "inexplicable" movements in its share price since the announcement last month of its offers for Société Générale and Paribas.

Because the bids are denominated in shares, BNP fears any interference could undermine their value. SG, which is attempting to fend off BNP and merge with Paribas, is also uneasy about erratic stock price movements.

Whatever the truth of these claims, they point to the need for reform of French takeover practice.

One reason for BNP's complaint is that SG and Paribas have dealt heavily in its stock. On March 31, for instance, SG and Paribas accounted for a third of all trade. The rules allow this. These prohibit the initiator of a bid from dealing in its target's shares, but allow the latter to buy and sell the bidder's stock – if only to hedge existing positions, not build new ones. So Paribas – the recipient of two share offers – can trade in both bidders.

None of this would matter if such dealings were disclosed quickly to the market. Then investors could discount their effect. This, however, is not the case. For instance, the dealings on March 31 were only revealed to the market on April 6.

Both SG and BNP are right to fear a false market as things stand.

Banks join forces to offer online trading guarantees

Global venture should encourage large-scale electronic commerce

By George Graham and Christopher Brown-Humes in London

International banks are preparing to offer financial guarantees for companies trading over the internet, in an initiative that should encourage large-scale electronic commerce.

A group of banks including ABN Amro of the Netherlands, Barclays Bank in the UK, Deutsche Bank in Germany and Chase Manhattan and Citibank in the US has formed a joint venture, Identrus, to complete the project.

The group, based in New York, is in negotiations to add Canadian Imperial Bank of Commerce and Sanwa Bank of Japan, giving it a broader geographical spread.

Identrus would provide a business with an assurance about the identities of companies it planned to trade with over the internet.

This could be backed up by a financial guarantee from one of Identrus's members.

Visa, the international card payments group, has found that even though internet transactions account for less than 1 per cent of its EU turnover, they give rise to 47 per cent of its disputes and frauds.

Business-to-business e-commerce is set to grow from about $15bn a year to $1,300bn in the US alone by 2003, according to forecasts from Forrester Research, the technology research group.

But Guy Tallent, president and chief executive of Identrus, said businesses needed to know they could rely on their trading partners before e-commerce could fulfil these hopes. "Unless you have an electronic identity and the ability to trust the holder and signer of that identity, e-commerce can't take place," he said.

Identrus depends on tested international contract law and therefore hopes to avoid some of the legal uncertainties that have plagued internet business. Tests are now starting between member banks with the aim of being fully operational by January 1.

Identrus, which is also backed by Bank of America, Bankers Trust and Hypo Vereinsbank, was initially formed by CertCo, a technology company specialising in electronic security.

However, CertCo has now dropped out of the joint venture and will become a technology supplier competing on equal terms with other companies. John Herron, CertCo's chief executive, said: "We believe that the long-term success of Identrus depends on having a platform open to a wide range of leading technology providers."

Analysts said the Identrus venture had the potential to allow the internet to be used for much larger transactions, but remained cautious about how soon its effects would be felt. "Considering the scale of the enterprise they are undertaking, it's going to be still some time before we can assess the impact," said Scott Smith of Current Analysis, a Virginia-based research company.

Visa concern at net fraud, Page 4

India risks world criticism by test-firing a ballistic missile

By Amy Louise Kazmin in New Delhi

India's fragile coalition government test-fired a medium range ballistic missile yesterday in what its prime minister described as "a purely defensive step".

Atal Behari Vajpayee said his government had informed neighbouring Pakistan and the "major powers" in advance of the decision to launch the Agni II, which can deliver a nuclear warhead to a target at least 2,000km away.

George Fernandes, India's defence minister, said the successful launch had brought India to a point where "nobody from anywhere can dare to threaten us". Analysts say the Agni II is intended primarily as a deterrent to potential threats from China.

There was no immediate response from Beijing but other world powers criticised the test-firing. They have been urging India to exercise restraint in order to ease regional tensions. The UK, US and Japan regretted India's decision.

Sartaj Aziz, Pakistan's foreign minister, said: "Since they have gone ahead, we would probably have to respond, but we will make a decision in a day or two."

India's defence community has been calling for tests of the Agni – which means fire in Hindi – for months, saying a missile capable of reaching China's heartland was critical to any credible deterrent. Bharat Karnad, a professor of national security at New Delhi's Centre for Policy Research, said the tests were "ultimately unavoidable" after India's nuclear tests in May last year.

Brahma Chellaney, another professor of security studies at the centre, said the Agni II "plugs the last missing link in India's deterrent plans".

An Agni with a range of about 1,000km was tested five years ago, but testing was suspended, apparently in response to US concern about a south Asian arms race. Though the upgraded Agni missile was ready for testing several months ago, the government repeatedly postponed the launch, prompting criticism from strategic policy experts.

The test comes at a time when Jayalalitha Jayaram, ally of the Bharatiya Janata party-led government, is threatening to withdraw the support of her AIADMK party. Although the government denied domestic politics influenced the decision, analysts said the test could help rally support from smaller parties if the 18 AIADMK parliamentarians carried out their leader's threat.

Subhash Agrawal, a political risk forecaster, said the test had "come at a very convenient time for the BJP".

The Agni was launched from an island off the eastern coast of India.

Mr Chellaney did not think the tests would upset the dialogue between Jaswant Singh, India's foreign minister, and US Deputy Secretary of State Strobe Talbott. They have been negotiating the lifting of US economic sanctions, imposed on India after the May nuclear tests, and India's accession to the Comprehensive Test Ban Treaty.

CONTENTS

Abdelaziz Bouteflika, Algerian presidential candidate, campaigning in the desert after rival Mahfouth Nahnah gave his support. Page 4 AP

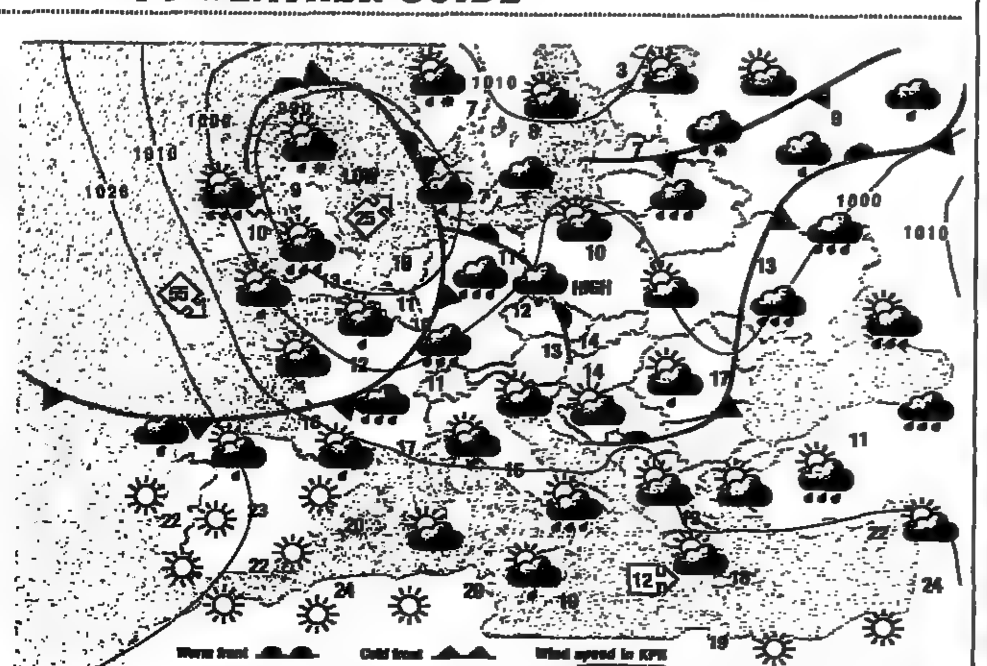
FT WEATHER GUIDE

Europe today

Most of Spain and Portugal will be warm with long sunny periods, but the far north will be cloudier and cooler with showers. Italy and the Balkans will have a mixture of sunny spells and scattered heavy showers. The eastern Mediterranean will be mainly fine with sunny spells and only isolated showers. Central and northern Europe will have a lot of cloud, showers and some longer spells of rain.

Five-day forecast

Central and northern Europe will remain unsettled for much of the week, with further showers and more prolonged periods of rain. It will also become noticeably colder with wintry showers over the hills. The Mediterranean will be changeable with sunny spells and heavy thundery showers, although southern parts of Spain and Portugal should stay fine until Thursday.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Sun	30
Accra	Fair	31
Algiers	Sun	24
Amsterdam	Shower	10
Athens	Sun	19
Atlanta	Sun	18
B. Aires	Shower	20
B.ham	Shower	11
Bangkok	Thunder	[illegible]
Barcelona	Fair	19
Beijing	Fair	19
Belfast	[illegible]	9
Belgrade	Shower	16
Berlin	Shower	11
Bermuda	Fair	[illegible]
Bogota	Shower	17
Bombay	Sun	32
Brussels	Shower	11
Budapest	Fair	17
C.hagen	Rain	7
Cairo	Sun	25
Caracas	Shower	26
Cardiff	Shower	10
Casablanca	Sun	23
Chicago	Fair	13
Cologne	Rain	9
Dakar	Fair	27
[illegible]	Shower	20
Delhi	Sun	38
Dubai	Sun	30
Dublin	[illegible]	10
Dubrovnik	Shower	16
Edinburgh	Shower	9
Faro	Sun	22
Frankfurt	Rain	10
Geneva	Rain	11
Gibraltar	Sun	22
Glasgow	Shower	9
Hamburg	Shower	9
Helsinki	Sleet	3
Hong Kong	Fair	29
Honolulu	Shower	26
Istanbul	Fair	15
Jakarta	Fair	32
Jersey	Shower	11
Johannesburg	Fair	23
Karachi	Sun	33
Kuwait	Sun	32
L. Angeles	Shower	16
Las Palmas	Fair	23
Lima	Fair	24
Lisbon	Sun	22
London	Shower	13
Lux.bourg	Rain	7
Lyon	Rain	13
Madeira	Fair	21
Madrid	Sun	23
Majorca	Sun	20
Malta	Sun	19
Manchester	Rain	10
Manila	Fair	34
Melbourne	Fair	21
Mexico City	Sun	27
Miami	Sun	31
Milan	Fair	16
Montreal	Rain	7
Moscow	Rain	9
Munich	Cloudy	11
Nairobi	Shower	25
Naples	Shower	16
Nassau	Sun	30
New York	Cloudy	11
Nice	Fair	17
Nicosia	Fair	22
Oslo	Fair	7
Paris	Rain	12
Perth	Sun	26
Prague	Fair	12
Rangoon	Fair	34
Reykjavik	Snow	-1
Rio	Fair	27
Rome	Fair	16
S. Frsco	Fair	18
Seoul	Rain	20
Singapore	Shower	32
Stockholm	Fair	8
Strasbourg	Rain	10
Sydney	Shower	22
Tangier	Sun	23
Tel Aviv	Fair	24
Tokyo	Shower	20
Toronto	Shower	11
Vancouver	Rain	13
Venice	Shower	15
Vienna	Fair	13
Warsaw	Fair	10
Washington	Rain	14
Wellington	Fair	15
Winnipeg	Sun	16
Zurich	Rain	9

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FINANCIAL TIMES

COMPANIES & MARKETS

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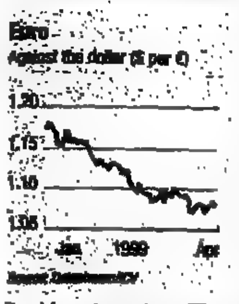
INSIDE

LatAm bourses explore regional tie-up
Latin American stock markets, which are hampered by tiny volumes, are considering the idea of a regional alliance, spurred by a continent-wide rally that has seen share prices rebound after months of uncertainty. **Page 22**

Company results in China mixed
Zhu Rongji, the Chinese prime minister has said the nation's economic growth in 1999 will outstrip last year's 7.8 per cent, but corporate figures present a more mixed picture. **Page 24**

ECB rate cuts fails to lift weak euro



Most analysts felt last week's interest rate cuts in the UK would be good for sterling, especially if it decreased the chances of a future cut and increased the prospects for a soft landing of the UK economy. But the market was less convinced that the European Central Bank's rate cut on Thursday would lift the euro, which continued to perform shakily in the aftermath of the reduction. **Currencies, Page 26**

Infosys Technologies doubles profits
Infosys Technologies, which last month became the first Indian software firm to list on the US Nasdaq exchange, posted net profits of Rs1.35bn ($19.7m), up from Rs603m. **Page 21**

Cost-cutting fails to lift Pioneer
Pioneer, the Japanese electronics group, has struggled to meet its financial targets, despite an aggressive cost-cutting programme. Operating profits in the third quarter, ending in December, tumbled 18 per cent year on year to Y3.7bn ($30.6m) on sales of Y147bn. **Page 24**

Mexico boosted by electronic trade
An almost unprecedented rally has pushed Mexico to the top of world markets in terms of profitability, gaining 35 per cent in dollar terms since the beginning of the year. The rise stems from the exchange going electronic, which has made it efficient and virtually unlimited. **Page 23**

BNP complains of banks' unfairness
Banque Nationale de Paris, the French bank bidding for its rivals Société Générale and Paribas, is to complain to regulators about the "unfair" behaviour of its targets, after a dispute resulting in accusations that each side was manipulating the others' share prices. **Page 22**

Jefferson Smurfit profits set to rise
Jefferson Smurfit, the international paper and packaging group, is expected to produce pre-tax profits of I£188m ($227m) up from the I£150m last year, but results may be affected by last year's turmoil in Asian markets. **Page 25**

UK engineering's global growth
UK engineering companies spent $7.08bn on international acquisitions in 1998, compared with $3.91bn the year before, as they sought to grow more global despite the strong pound and difficult worldwide economy. **Page 20**

FT GUIDE TO THE WEEK

– full listings Page 36

WTO RULES ON BANANA DISPUTE
Today, the World Trade Organisation will rule on the dispute between the European Union and the US over favourable terms for Caribbean banana growers. The US has imposed 100 per cent import duties on some EU goods.

N IRELAND PEACE TALKS RESUME
On Tuesday, the Northern Ireland peace talks, aimed at establishing a joint ruling executive, resume after being adjourned on April 1 to allow a "short pause for reflection" over the issue of decommissioning terrorist arms.

RUSSIAN PM MEETS WITH WORLD BANK
James Wolfensohn, president of the World Bank, will on Wednesday meet with Yevgeny Primakov, the Russian prime minister, as well as government officials and business leaders.

COMPANIES IN THIS ISSUE

MARKET STATISTICS

Kokumin Bank declared insolvent

Failure signals woes in this Japanese sector are not over

By Naoko Nakamae in Tokyo

Japan's Kokumin Bank yesterday became the first regional bank to be declared insolvent by the Financial Reconstruction Committee, the banking regulator, since financial reform legislation was passed to deal with the country's banking crisis.

Kokumin's failure is an ominous sign that Japan's banking woes are far from over, despite the injection of Y7,450bn ($62.1bn) of public funds into 15 leading banks last month.

The announcement on Kokumin came after the Tokyo-based second-tier regional bank admitted that it might be unable to repay depositors after unsuccessful attempts to boost its capital base. It is understood that the Financial Supervisory Agency, another banking watchdog, had also reached the conclusion that the unlisted Kokumin had a capital deficit of about Y50bn.

Industry observers now fear other banks will suffer a similar fate. Further failures would put additional pressure on the Deposit Insurance Corporation, which has just finished raising the funds for the Y7,450bn capital injection, since it will be responsible for capitalising failed banks if buyers are not found within a year. Last year, Nippon Credit Bank and Long-Term Credit Bank, two large institutions, were forcibly nationalised after being declared insolvent. However, government officials implied that this option would not be applicable to smaller banks.

Kokumin will be placed under the control of government-appointed administrators while a private buyer is sought. If one is not found within a year, the government will turn Kokumin into a bridge bank under financial legislation passed last October. The so-called bridge bank scheme has so far not been applied.

Yukio Okonogi, Kokumin president, yesterday apologised for the bank's failure. The bank had appealed to Kokusai Kogyo, its main shareholder and an unlisted transport and leisure group, for help. But Kokusai had been reluctant to provide additional funding.

Mr Okonogi said: "Recent reports [regarding Kokumin's financial difficulties] have led to a rapid deterioration in trust from both our business partners and the market." He also said there had been a run on the bank's deposits as depositors lost faith in the bank.

The bank's deposits will now be protected by the government and its bad loans transferred to the state-run Resolution and Collection Corporation. Meanwhile, the Bank of Japan will contribute funds to guarantee Kokumin's operations.

Kokumin, established in 1953, has 38 domestic branches, 745 employees and about Y520bn in deposits.

Heinz could raise $700m from Weight Watchers sale

By Richard Rivlin and Andrew Edgecliffe-Johnson in London

HJ Heinz has received expressions of interest in its Weight Watchers International slimming classes business from more than 20 potential buyers, according to people familiar with the auction.

The level of interest suggests that the international food group may reap as much as $700m from the disposal, at the top end of analysts' expectations of $500m-$700m.

Among those seen as serious bidders are pharmaceutical companies eager to access the 4.5 million people on Weight Watchers programmes, direct-selling companies such as Amway or Avon, and educational companies. Several financial buyers have also been attracted by the business's strong cashflow and low capital investment needs.

Heinz has appointed Warburg Dillon Read, the investment bank, to handle the sale of its global slimming business, which is based in Long Island, New York.

A sales memorandum sent to a host of trade and financial bidders states that the business had revenues of $425m in the year to April 1998.

It adds that sales are forecast to rise to $600m in 1998, reinforcing recent comments from Heinz that the business is enjoying a comeback.

The profitability of the business has also improved in the past year, thanks to the division's 1-2-3-Success slimming programme and a successful promotional campaign featuring the Duchess of York.

Weight Watchers, like rivals such as Jenny Craig and Nutri/System, enjoyed strong growth until the early 1990s, when a combination of unfavourable research, disease scares and regulatory investigations prompted a downturn. Jenny Craig, Weight Watchers' smaller, publicly listed competitor, is not thought to be among the potential bidders.

First-round bids are due in the next six weeks, with some potential bidders already believed to have lodged offers of more than $500m.

The company is planning to keep Weight Watchers' foods arm, despite speculation that it could sell this too if it received a knock-out offer. The slimming classes business required different skills to manage, Heinz said.

Heinz decided to sell the slimming business as part of its latest restructuring plan, code-named Operation Excel, in which it intends to regroup around six core product groups, ranging from ketchup to baby foods, in a move designed to generate cost savings of more than $200m from 2002.

Resisting temptation: the Duchess of York boosted Weight Watchers AP

Goldman names its first outside directors

By Tracy Corrigan in New York and Robert Corzine in London

Sir John Browne, chief executive of BP Amoco, and James Johnson, former head of Fannie Mae, the US mortgage giant, will today be named as the first outside directors of Goldman Sachs, the Wall Street investment bank.

The appointments will be made when Goldman becomes a public company following its initial public offering.

Goldman will name the two in its final prospectus, to be issued today. As a partnership it has not previously had a board of directors. It has already named five internal directors and has said it will name a total of three outside directors to the new board.

The appointment of Sir John cements close ties between BP Amoco and Goldman. Peter Sutherland, BP Amoco's co-chairman, is head of Goldman's European business.

Sir John sits on the boards of DaimlerChrysler, Intel and SmithKline Beecham, but is expected to give up one of these positions when he takes the Goldman seat.

Mr Johnson is a former Lehman Brothers banker who recently handed over the reins at Fannie Mae but remains on its board. His other board positions include Cummins Engines.

The prospectus will also contain pro-forma first-quarter earnings, reconstituting Goldman's first-quarter results as if it were a public company.

It will also disclose the distribution of shares to the firm's five senior officers, Hank Paulson, Robert Hurst, John Thain, John Thornton and David Viniar.

Goldman will become a public company, ending 130 years of partnership, at the start of May, when the IPO is due to be priced, according to people close to the transaction.

Following the run-up in financial stocks since the draft prospectus was issued last month, the indicated price range for the IPO is expected to be raised from $40-50 to $45-55 in the final prospectus, which is likely to push the valuation of the whole firm over $25bn.

The IPO of 10-15 per cent of the stock would then be valued between $2.5 and $4bn.

Goldman to buy majority stake in Kookmin

By John Burton in Seoul

Goldman Sachs, the US investment bank, is expected to sign a memorandum of understanding today to become the biggest shareholder in Kookmin Bank, one of South Korea's biggest and healthiest banks.

The understanding is that Goldman Sachs will pay $500m for a stake of about 20 per cent. The deal is the latest in foreign equity investments in Korean banks following the country's financial crisis last year. Four of Korea's six biggest banks now have substantial overseas ownership.

Kookmin, which specialises in retail banking, is Korea's second-biggest bank with assets of Won87,000bn ($71bn) and a market value of Won3,900bn.

Goldman Sachs Capital Partners, an investment fund affiliated with the Goldman Sachs group, will acquire $300m of new Kookmin shares for Won12,000 per share and $200m in convertible bonds. The bonds would later be swapped for stock, priced at Won14,200 each, according to Kookmin.

Kookmin's share price on Friday rose sharply to Won16,400, up Won2,100, as rumours of the impending deal circulated in the Seoul stock exchange.

Korea allowed foreign investment in domestic banks last year to recapitalise them after they suffered losses from bad corporate loans.

Germany's Commerzbank has acquired nearly a third of Korea Exchange Bank, HSBC Holdings recently agreed to buy 70 per cent of SeoulBank, and a US financial consortium led by Newbridge Capital is planning to acquire 51 per cent of Korea First Bank.

Unlike the other banks bought by foreigners, Kookmin is one of Korea's financially strongest, since its emphasis on retail banking has limited its lending exposure to the troubled corporate sector. Lending to this sector accounts for only 17 per cent of its total loans.

It was one of the few Korean banks last year to report net profits, at Won73.4bn, although this was a fall of 30 per cent from 1997 results. Its capital adequacy ratio stood at 10.09 per cent at the end of 1998, higher than the required ratio of 8 per cent set by the Bank for International Settlements.

Kookmin was a former state-owned bank that was privatised in 1994. It is seeking new capital after agreeing to a state-sponsored merger to take over Korea Long-Term Credit Bank. Korea Long-Term posted a loss of Won256bn last year. The government still has an 8.3 per cent stake in Kookmin.

The deal follows a visit to Seoul last month by Jon Corzine, Goldman Sachs chairman.

PAUL ABRAHAMS
GLOBAL INVESTOR

Shaking up is hard to do

Few would have predicted that during the first quarter Japan's Nikkei 225 would prove the best-performing benchmark index in the group of seven leading industrial countries.

It is now tickling the 17,000 level, a gain of 30 per cent since the dark days of October when it sank as low as 12,879. Nor is this merely a distortion of the Nikkei 225's curious composition – the Topix index is up 19 per cent since the start of the year, and 27 per cent since its October low.

None of this has anything to do with the underlying economy, which has just shrunk for the fifth consecutive quarter. The government insists gross domestic product will expand this fiscal year by 0.5 per cent, but most private economists are predicting continued contraction and in recent weeks have even been cutting forecasts further.

Despite the gloomy economic fundamentals, foreigners have provided most of the recovery's momentum. The motivation has partly been fear. Most institutional investors remain underweight in the world's second largest economy. There is an understandable anxiety that at some point, the country must start to improve, presenting a buying opportunity of a generation they do not want to miss.

But the main factor for the rally has been *risutora* – restructuring. The sheer number of recent shake-up announcements has been impressive – in March alone there were 129, according to the Tokyo Stock Exchange.

Such cost cutting is urgently needed. Japanese companies, with few exceptions, have woefully misallocated capital and labour. The announcements have included staff cuts, reductions in capital spending, retiring excess capacity, undertakings to allocate capital more rationally, and disposing of non-core businesses. If such promises are kept, this process could herald a fundamental change in the way Japanese companies are run. Not least, it could mark a shift in management emphasis from stakeholders to shareholders and an end to the corporate welfare state that has kept Japanese workers so protected for so long.

The problem is that management's promises may not be kept. After all, we have been here before. Between 1994 and 1995, when the yen hit its all-time highs against the dollar, many Japanese companies announced large restructuring programmes. Yet sales, general and administrative expenses as a proportion of sales, actually rose during that period.

However, a sea-change does appear to be occurring in Japanese business. True, it is happening faster in some companies than others. But the pressure appears unrelenting. Profits continue to collapse – nearly a quarter of first section companies will post net losses this year.

Further restructuring may be inevitable, but that does not mean the market represents good value. The market has already priced in most of the benefits from *risutora*. Goldman Sachs believes that the return on equity of the Nikkei 225 constituents could recover from its current meagre 1.4 per cent to as high as 7 per cent if management delivers on its promises. But the broker concludes that the market had fully discounted this improvement at 16,000.

A further problem is that while cost-cutting is desirable for individual companies, the cumulative effect is likely to be devastating for the economy as a whole. Capital spending is set to fall sharply as Japanese companies allocate their resources more wisely. Staffing is likely to drop, which, combined with cuts in overtime and bonuses, will hit take-home pay and, ultimately, consumer spending. *Risutora* is likely to condemn Japan to a lingering recession for the remainder of the millennium.

That may be necessary for Japan's eventual recovery. The worst outcome would be that companies unveil restructuring programmes but then fail to carry them through. The effect would be to undermine consumer confidence further – fear of unemployment being a bigger contributor to weak demand than unemployment itself – while failing to improve profitability.

That would be truly disastrous.

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UK engineering seeks to grow globally

By Peter Marsh

UK engineering companies last year spent almost twice as much on international acquisitions as the year before, as they sought to grow more global in spite of the squeeze on profits resulting from the strong pound and difficult economy worldwide.

According to the KPMG accountancy group, UK engineers spent $7.08bn (£4.39bn) on such deals in 1998, compared to $3.91bn the previous year. There was also a marked increase in UK engineering groups being taken over by foreign-owned companies, while the figure spent worldwide on all cross-border engineering mergers and acquisitions rose 82 per cent to $78.16bn.

The figures underline that the worldwide engineering sector is not immune from the pressures forcing consolidation in other industries including financial services and telecommunications.

The most popular targets for British buyers abroad were electrical and electronic engineering businesses, which accounted for 48 deals worth $2.48bn (compared to 40 deals worth $1.84bn in the previous year). The spending by UK companies last year was led by GEC's acquisition of the US-based Tracor in April, in a deal worth $1.36bn, and Vickers' $503m purchase of Norwegian shipbuilding and maritime engineering group Ulstein Holdings. KPMG's figures apply to deals receiving shareholder approval in the year in question, and cover car production and telecommunications equipment, though not computers.

Last year non-UK companies spent $9.25bn on acquiring UK engineering businesses, up from $3.52bn in 1997. The biggest of these deals were Federal-Mogul's $2.4 bn acquisition of T&N and Caterpillar's $1.3bn purchase of the Perkins engines group.

The value of all global cross-border deals in the industry leapt in 1998, from $43.03bn in 1997 to $78.16bn. However last year's figure included one mammoth deal – the $37bn merger between Daimler-Benz of Germany and Chrysler of Germany.

The next biggest deal recorded by KPMG (apart from those involving UK companies) was the $2.1bn takeover by US-based Boston Scientific of Schneider of Switzerland.

Excluding the Daimler/Chrysler merger, the 825 other cross border engineering deals last year were on average worth just $49m each – much smaller than the average deal in industries such as banking.

Striking a meteoric marriage of business and technology

Searching for value where others might miss it . . . **Christopher Price** looks at the rise of Misys and its strategy for expansion

Inside the UK's IT companies

D3 If any company were to be considered as exemplifying the meteoric rise of the UK computer software and and services sector, Misys would be a strong contender.

Headed by the pugnacious Kevin Lomax, the group was among the first to bring stringent management techniques and marketing flair to an industry not previously reknowned for marrying business with technology.

The result has been a 36-fold increase in the share price since Misys floated in 1987, including a seven-fold jump in the past three years alone. In September, it became the first software group to enter the FTSE 100 index.

Its success has been built through a string of acquisitions in a fragmented financial software market, as well as organically through the huge demand for IT products and services which has emerged in the past three years.

However, it is a strategy that has not always won the company plaudits.

Its aggressive deal-making has led to some analysts to question the logic underpinning some of the moves.

The acquisition of Medic, the US medical software group, for $923m (£573.2m) in 1997, for example, prompted a barrage of criticism.

Not only did it mark Misys's first move into this part of the US market, seen as a risky undertaking in any case, but the price of almost five times 1996 revenues and 33 times pre-tax profits was considered too high.

Yet, it appears that Misys has confounded its critics yet again.

Medic's performance in the second half of 1998 surpassed analysts' expectations and contributed to an 83 per cent rise in half-year pre-tax profits and a 62 per cent increase in revenues.

If some in the City are surprised by this turn of events, Mr Lomax is not. Executive chairman since 1985, he cut his teeth at Hanson, the acquisitive conglomerate, and is full of confidence as to the company's direction.

His interest in technology stems from being involved in early development of computer aided design techniques, and was capped by his management experience at Hanson, where at 35 he was the youngest managing director the company had ever had.

"Hanson taught me how to run a business effectively and how to get the best out of one's assets – and that has remained a fundamental part of our business right up to today."

Mr Lomax was an early investor in Misys, a move which has made him a very wealthy – £55m in shares at the last count.

The group's success and its employee share option scheme have also created some 50 paper millionaires.

Mr Lomax identifies two issues as crucial to the success of the business. First has been the management team and the culture created. "The senior management people we have now have been with the company for 10 years or more, but some of us have known each other for 20 years," he said. "That builds a lot of confidence."

And in an echo of his own experience, Mr Lomax is keen to promote responsibility early. "People get to run businesses very early on here – we attract people who want accountability and responsibility. It is a big driver in getting our staff to stay with us."

The other important element has been Misys's investment strategy, and here Mr Lomax believes the group's acquisition policy has born the most fruit. "Getting into international markets was the key factor for us. You would not choose to start an IT business in the UK – it is too small."

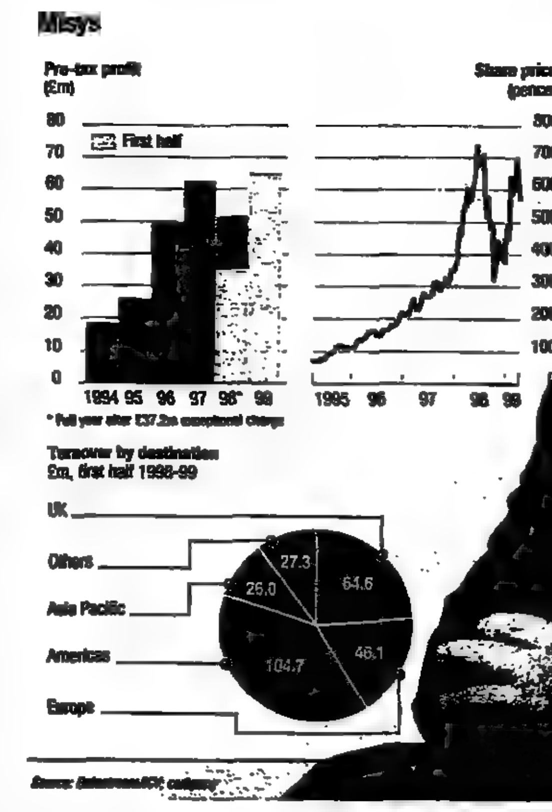
He says Misys "bought various product-led companies across various markets," in order to "build critical mass." If some were not as successful as he had hoped, he is not letting on and points to the company's consistent earnings track record as evidence.

"We believe first and foremost in value and I think there are occasions where we see it and others don't. They might just see the negative parts, whereas we will concentrate on the good bits of the business."

He is more forthcoming about where Misys might strike next. The US remains the focus, with further acquisitions in the healthcare sector under consideration. The retail banking sector is also somewhere where Mr Lomax considers the company is under represented.

The US now represents 50 per cent of revenues, a figure Mr Lomax says could rise to 70 per cent in the near future via growth and acquisitions. At that stage, Misys would consider a US listing, but not a relocation.

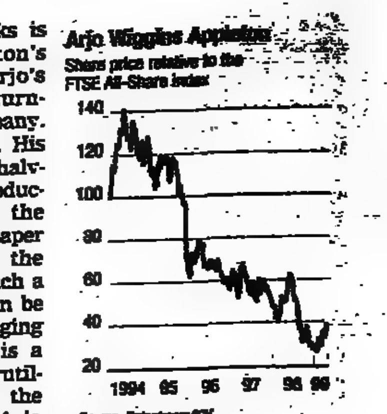
"The financial markets are so well developed that it does not matter where you are located to be a global company."




Kevin Lomax chairman

COMMENT

Arjo Wiggins Appleton



Papering over the cracks is clearly not Ken Minton's style. In January, Arjo's chairman pledged a turnround of the paper company. He is not wasting time. His plans should result in a halving of the European production assets included in the carbonless and thermal paper division. The fact that the company expects that such a big chunk of capacity can be taken out without damaging supplies to customers is a testament to how underutilised the assets were in the first place. No wonder Arjo has been earning dismal returns on capital. Mr Minton's surgery is not without risk. While the Cardiff plant is to close, the French plant gets more delicate treatment, including a look at "alternative uses" and discussions with employees. This could drag out the timetable. Another risk is that Arjo's customers will want their cut of the £40m or so annual cost savings these measures should deliver. Fortunately, Arjo's customer base is fragmented. So the company should be able to hang on to most of the upside.

Tender tax

Nobody expects the Spanish Inquisition. That seems to be the response of the investment trust industry to the Inland Revenue's search for tax avoidance wheezes in tender offers for shares. Unfortunately the Revenue's attitude should not come as such a surprise. The Revenue has a nasty record of suspecting that share buy-backs are dividends by another name. Its latest threat – and it hangs heavily over Anglo & Overseas' extraordinary meeting today – is that the cash shareholders receive will be viewed as income, rather than capital. At its most extreme, the Revenue might view any direct transaction between a company and its shareholders as disguised income.

This means only buy-backs in the market – limited to 15 per cent of the equity at a time – are sure to be safe. This might deter trusts from going for big bang reconstructions. It should not. Those needing such drastic action have a preponderance of institutional shareholders itching to get out. These are tax exempt, so the impact of the Revenue's position is minimised. The sadness is that private shareholders are being penalised. So the trusts must work on buy-back schemes that pass muster with the Revenue.

Advent and Apax in $72m Spanish deal

Advent International and Apax Partners, the venture capital groups, are leading a $72m (£44.7m) equity investment in Jazztel, a Spanish telecoms start-up concern, writes Virginia Marsh.

It is believed that Advent and Apax, which will both have representatives on the Jazztel board, are investing $40m of the $72m. Other investors include Spectrum Equity, a US telecoms fund, and Dresdner Kleinwort Benson Private Equity Spain.

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NEWS DIGEST

COMPUTER SOFTWARE

Infosys Technologies profit more than doubled

Infosys Technologies, which last month became the first Indian software firm to list on the US Nasdaq exchange, saw net profits more than double in the year to March, thanks to a weak rupee, aggressive marketing and increased productivity. The Bangalore-based company, one of India's leading computer software firms, reported net profits of Rs1.35bn ($19.7m), up from Rs603m last year. Sales doubled to Rs5bn from Rs2.5bn.

In spite of the strong performance, Infosys shares closed down 7 per cent on the Bombay Stock Exchange on Friday, with some analysts disappointed that profits had not been higher. The overall market fell 2.7 per cent.

Exports accounted for 97 per cent of the company's revenues. It attributed the strong performance to the depreciating currency, marketing efforts, and productivity gains. "Whatever investment we made in terms of creating marketing infrastructure has really paid dividends," said a company official.

Work relating to the year 2000 problem, which accounted for 23 per cent of revenues in the last fiscal year, dropped to 15 per cent of sales in the fourth quarter. The declining importance of Y2K work revenues indicated that Infosys will have a smooth transition after the demand for such work dries up, said officials. The company said its client base had also diversified over the 12 months. The top five customers contributed only 28 per cent of revenues, compared with 35 per cent in the previous year.

Infosys sold 1.8m ADRs at $34 each on March 11. The company plans to use the proceeds to invest in operations in India and abroad and to build its brand image, a traditional area of weakness for Indian firms. Revenue from the issue will give it a significant "war chest" for acquisitions, and Infosys will use dollar denominated stock options to help recruit executives. **Amy Louise Kazmin, New Delhi**

SHARE TRADING

Credit Suisse goes online

Credit Suisse will today launch an internet and telephone direct share trading system, the first Swiss bank to do so. CS hopes to tap into a rapidly expanding market in Europe for online share trades by small investors. In the US, online trading is surging, with trading volumes rising 35 per cent in the last quarter of 1998.

Paul Meier, head of Credit Suisse's domestic banking unit, said the investments to create the service, called Youtrade, were not significant. He said the time had come for such a service, which in the US made up 13 per cent of total Nasdaq and NYSE transactions in the fourth quarter of 1998.

Clients will be able to trade initially only in Swiss franc-denominated shares listed on the Swiss Exchange. Later this year, dollar and euro-denominated securities will be added, as well as Nasdaq access. Mr Meier said CS expected 25 per cent of all transactions on the Swiss Exchange to be online in 2005 and by then, Youtrade would make up at least 30 per cent of these online transactions. **Reuter, Zurich**

HIGH TECHNOLOGY

Israeli group to list on Easdaq

Supercom, an Israeli group specialising in high-tech identification cards for government agencies, plans to raise a net $22m through a flotation later this month on Easdaq, the Brussels-based pan-European stock exchange for growth companies. The pathfinder prospectus, published today, shows up to 2.5m new shares will be offered at between $9.50 and $11.50 a share. At the middle price, the group would have a market valuation of $129m.

The group, which has a 10-year contract with the Stationery Office to supply passports for the UK, will use the proceeds to fund marketing and further research and development. The three founding directors will retain a 70 per cent stake.

The prospectus shows that pre-tax profits last year were $198,000 on sales of $7.5m, compared with a previous loss of $971,000 on sales of £6.9m. Beeson Gregory, which has been retained as a co-manager to the group, is forecasting profits of $6.7m this year. **David Blackwell**

Compaq warning rattles PC sector

But strong results are expected from other high-tech groups, writes **Louise Kehoe**

Eckhard Pfeiffer: questions over focus AP

Compaq Computer has committed a cardinal sin. The world's largest personal computer maker shocked Wall Street analysts by announcing, late on Friday, that earnings for the quarter just ended would fall far short of their estimates.

Retribution is likely to be swift and sharp. In after-hours dealing on Friday, Compaq shares were off almost 16 per cent from the official closing price. Today, analysts are expected to weigh in with negative comments. One predicted a "public lynching" of the long-time Wall Street favourite when the market opens in New York today.

In its surprise profit warning, Compaq said earnings for the first quarter would be about 15 cents a share; less than half of the 31 cents-a-share consensus of analysts' estimates. The company blamed the shortfall on "lower than anticipated market demand and increased competitive pricing in the commercial personal computer sector".

Compaq's problems could trigger a broad stock market reaction. Personal computer sales, together with the growth of the internet, have been the primary drivers of the US technology sector, which in turn has fuelled the bull market in US stocks. If demand for business PCs is slacking, as Compaq said, investors might take fright.

However, US stock markets have proved remarkably resilient to bad news over the past few months and Compaq is just one of several high-tech industry leaders due to report results over the next two weeks.

Strong results expected from Intel, Microsoft and Cisco Systems, for example, could offset the negative effects of Compaq's earnings disappointment.

Yet there is little doubt that Compaq shareholders are in for a rough ride. It is bad enough that the computer company should fall short of the stellar results expected by analysts. Worse is that Compaq failed to warn "the street" until after the end of the quarter, and just days before it is scheduled to issue its official results on April 21.

This suggests either that Compaq's internal systems for monitoring sales trends are seriously deficient, or that the company failed to communicate with analysts in a timely fashion. Neither is good, but in an era of information technology systems that enable even large global companies to monitor sales on a daily basis, such surprises in the high-tech sector are extraordinary.

Even before Friday's debacle, Compaq was in hot water. The company irritated financial analysts by disclosing to visitors from one brokerage firm in February that demand for PCs among medium-size businesses had been slack since the beginning of the year.

The company should have disseminated this information more broadly, other analysts complained. By late February, Compaq was saying that the mid-size business market was back on track and the entire market was up to expectations.

But the seeds of doubt had already taken root on Wall Street.

When IBM's annual report revealed that its PC division lost nearly $1bn last year, some analysts read this as confirmation of a slowdown. A profit warning from Micron Electronics, a smaller PC manufacturer, fuelled concern. And despite strong sales growth, Dell Computer did not satisfy Wall Street's appetite for an "upside surprise".

However, Microsoft said last month that it had seen no unusual slowing of PC shipments. Sales were typically slower in the first calendar quarter, after the busy Christmas selling period, the software company said. Since Microsoft's Windows software is shipped with the vast majority of PCs sold worldwide, the software company is in a unique position to monitor overall market trends.

However, it is still not entirely clear what is happening in the PC market. Last month, PC Data, a market research group that tracks US retail PC sales, said unit sales of Windows PCs had grown by less than 1 per cent and revenues had plunged 16 per cent in February against a year ago.

However, the US retail segment of the PC market now represents only about 9-10 per cent of the total world market. This is sharply lower than a few years ago, when broad market trends could be spotted first in US computer stores.

With direct sales of PCs via the internet growing rapidly – from 13.5 per cent in 1995 to an estimated 29 per cent this year – it is becoming increasingly difficult to discern broad market trends.

Compaq has also been slow to respond to rapid growth in the low-cost PC segment. Until recently the "sub-$1000" PC was seen as a consumer product, but now businesses too are buying these "basic PCs" to attach to corporate networks.

Until Compaq reports details of its first-quarter results, it will be difficult to tell whether Eckhard Pfeiffer, chief executive, and his lieutenants have been distracted from their focus on the PC market by the acquisition last year of Digital Equipment, which has expanded Compaq's product line into large-scale computers.

The critical question for investors is whether Compaq's problems are internal or whether they reflect a broad slowdown in PC sales. This will put the spotlight on results from other US technology companies, several of which are due to report over the next two weeks.

EQUITIES CONTINENT-WIDE RALLY SPURS TALKS ON LINK-UP

LatAm bourses consider alliance

By Andrea Mandel-Campbell in Mexico City and Mark Mulligan in Santiago

Latin American stock markets are exploring the idea of a regional alliance, spurred on by a continent-wide rally that has seen share prices rebound sharply after months of uncertainty.

The Latin American Federation of Stock Exchanges on Friday called for all bourse regulators to work towards harmonising laws to allow a regional link-up within two years. The call came after a conference of federation leaders in Santiago.

Proposals range from the cross-listing of shares and an exchange of technology and information to an all-out merger. In spite of strong rises in recent months, most Latin American markets are still hampered by tiny volumes and some place heavy restrictions on foreigners investing in local stocks.

José Carlos Luque, federation president and Peru's representative, said globalisation of capital has made the need to compete on the world stage more urgent.

"As a federation, we are looking for a way to integrate through the unification of laws, which means doing away with a series of barriers," Mr Luque said.

Manuel Robleda, president of the Mexican bourse, said: "It's the future of the market and it's something we're seriously analysing."

The moves come amid a dramatic rise in Latin American stock exchanges since the regional shock-waves of the Brazilian devaluation in January. The Mexican bourse has led the way, closing last week up 35 per cent in dollar terms since the beginning of the year.

Brazil and Chile have added more than 20 per cent to their main indices since January. Mexico, in an effort to inspire more activity, moved to electronic trading in January. Participants are also known to be promoting the idea of a a link-up with the Nasdaq index.

In Chile, congress has approved draft legislation for the establishment of an "offshore" stock market for foreign groups looking to list new or existing shares in Santiago. The proposal is one of a series, including a gradual move to full electronic trading and the introduction of more derivative products, to combat diminishing liquidity after a wave of foreign takeovers and the popularity of the ADR market in New York. Daily volumes on the Santiago Bolsa averaged just $12m last year.

Pablo Yrarrázaval, president of the Chilean stock exchange, admitted after Friday's conference that Chile had further to go than most of its neighbours towards facilitating a regional link-up. The country has a series of laws that make it difficult and expensive for non-Chileans to invest in local stocks, and capital gains tax remains high at 15 per cent.

Even Mexico, which is considered the leader in market liberalisation, has had little success in attracting foreign listings. In 1997, a handful of Argentine companies listed on the Mexican exchange, but they have never traded, partly because of differences between the two countries regarding capital gains tax.

Similarly, the new listing would have to be supported by more local investors. Mutual fund investors remain negligible in many countries while in the case of Mexico, private pension funds are still barred from participating in the market.

Rescue package sought for Argentine bank

By Ken Warn in Buenos Aires

Argentina's central bank was seeking over the weekend to put together a rescue package for Banco Mendoza, which has been hit by a series of runs on deposits.

Savers in the western province of Mendoza, where the bank is based, were last week queueing to withdraw deposits – sometimes without success – in a panic that appears to have been accentuated by local media reports.

Before the heavy withdrawals began about a month ago, Banco Mendoza was the 25th biggest bank in the Argentine system, with deposits of almost $500m. The bank's president is Raúl Moneta, one of the country's best-known bankers and businessmen. Mr Moneta is also president of CEI Citicorp Holdings, the country's biggest television and telecommunications group.

Mr Moneta's Banco República group bought the formerly provincially-owned Banco Mendoza two years ago. The two banking operations were being merged in an operation approved in principal by the central bank.

Central bank officials declined to comment on the bank's problems, or the negotiations to find buyers for its 82 branches. However, local analysts said up to 12 of Argentina's biggest banks had been invited to the secret negotiations. A break-up of the bank, rather than its sale as a single entity, appeared the most likely option, analysts said.

Before its privatisation, Banco Mendoza – like many other provincially owned Argentine banks – was dogged by allegations of politically motivated lending. It remains the main financial agent of the province, which retains a stake of just over 3 per cent.

Mendoza is the heartland of Argentina's wine industry, and small agricultural producers make up most of the bank's customers.

Mr Moneta, who could not be reached for comment, became the president of CEI Citicorp last year when Texas-based buy-out fund Hicks, Muse, Tate & Furst paid $723m for almost a third of the company.

Argentina's Central Bank has become adept at winding up smaller local banks after a series of failures that have accelerated concentration of ownership in the banking system. The country's 10 biggest banks account for over 69 per cent of deposits.

Brierley finalises $600m refinance

By Terry Hall in Wellington

Brierley Investments has finalised a US$600m debt refinancing package, of which a third may be used for acquisitions. Sir Selwyn Cushing, chairman, said the package meant the company had the financial flexibility to pursue new opportunities.

Brierley Investments ran into financial problems following a boardroom coup last April which led to the departure of former chairman Bob Matthew and chief executive Paul Collins.

In the ensuing uncertainty, the value of its key assets fell substantially and directors embarked on an asset- selling programme which intensified after failure to sell its largest investment, a 46 per cent shareholding in Thistle Hotels in the UK.

The asset sale programme, now said to be complete, reduced debt from a peak of NZ$3bn to NZ$1.1bn ($588m) as the company sold key shareholdings ranging from the Australian newspaper group John Fairfax, New Zealand forestry interests, US and Australian hotel investments and the Auckland casino Sky City. The group's main assets now include a 46 per cent stake in Thistle Hotels, 41 per cent in Air New Zealand and a controlling shareholding in the Australian-US building group James Hardie Industries.

Sir Selwyn said the refinancing had been completed on favourable terms. In addition, the share prices of its main assets had improved since December, further strengthening the company's debt position.

HSBC New Zealand and Overseas Union Bank, Singapore, had been appointed to arrange the facility, and had jointly underwritten it. Up to six financial institutions would participate.

Herman Rockefeller, group financial officer, said the new arrangements streamlined the previous complex range of loans, which at its peak involved 70 lenders in 30 debt facilities, in four currencies. It was expected a number of these would participate in the new facility. The interest rate would reflect changes in international lending and would be between 6 and 6.5 per cent, compared with the previous average 7.5 per cent.

Mr Rockefeller said the company had no early plans to begin reinvesting, although the package met the company's needs. A business strategy plan for the company is expected to be announced in a few weeks.

BNP accuses target banks of unfairness

By Samer Iskandar in Paris

Banque Nationale de Paris, the French bank bidding for its rivals Société Générale and Paribas, is to complain to regulators about "unfair" behaviour by its targets.

The move follows a dramatic deterioration in relations between the three protagonists, which culminated last week in accusations that each side was manipulating the others' share prices.

A BNP executive said yesterday that the bank was planning to write to the Conseil des Marchés Financiers, the financial markets regulator, about "misleading" declarations by André Lévy-Lang, Paribas chairman. Mr Lévy-Lang said in a television interview on Friday that BNP's plans to merge the three banks threatened up to 25,000 jobs.

"We cannot let them get away with this," said BNP. "They are waving the red rag of employment. We have always argued that our project was a good compromise between value creation [for shareholders] and the situation in the jobs market."

BNP's pledge to protect jobs has been at the heart of the bank's efforts to gather support for its twin hostile bids. BNP has vowed that only 6,000 jobs would be cut over four years, based entirely on voluntary redundancies. This pledge is thought to be behind the government's implicit backing for BNP's offers. Job protection tops the priorities of the socialist government of prime minister Lionel Jospin.

SG and Paribas, whose boards voted last week to proceed with their own agreed merger, have consistently refused to negotiate with BNP. Daniel Bouton, SG chairman, signalled last week that he would resign if BNP succeeded in taking over SG. "I would choose to take up gardening," he said.

Last week it emerged that both BNP and SG had complained to the Commission des Opérations de Bourse about erratic moves in their share prices.

Each bank is accusing the other of manipulating its share price.

The relative share prices are crucial in determining which offer is successful. BNP and SG are both offering to acquire Paribas by paying with their own shares. BNP is also offering payment in shares for SG. A rise in the share price of one of the banks makes its offer more attractive.

Strafor takeover battle hots up

By Samer Iskandar in Paris

Last week's rejection by Strafor Facom, the French tool and car components group, of a bid by Fimalac, the holding company controlled by Marc Ladreit de Lacaharrière, set the scene for a bitter struggle.

Strafor said its board had unanimously rejected Fimalac's bid at €80 a share, valuing it at €848m ($913m), branding the approach "hostile". It said the price offered was "very insufficient" and did not take account of "the quality of the assets and [Strafor's] potential for internal and external growth".

Fimalac's offer threatens a merger, agreed this year, between Strafor and Autodistribution, a car components wholesaler. The deal, to be approved by AD shareholders next month, involves folding AD into Strafor and issuing new Strafor shares. Former AD shareholders would end up owning 20 per cent of the enlarged group.

Strafor said there were no synergies between its activities and those of Fimalac, whose main business is Fitch-IBCA, the credit rating agency formed from the 1997 merger of Fitch of the US and IBCA, the Franco-UK agency.

In recent years, Fimalac sold its property arm to investors led by François Pinault, the financier fighting for control of Gucci, the Italian fashion house. It has also spun off its media businesses and Sofres, the opinion polling concern.

Strafor shares closed at €81.5, up almost 3 per cent, after Fimalac received regulatory approval to proceed with its offer.

Analysts said the shares had risen above the price offered by Fimalac on speculation that Strafor would seek a white knight, or that Fimalac would have to raise its bid. Strafor shares were trading at €67 before Fimalac's announcement on March 24.

Grupo Serfin may need to raise $1bn

By Henry Tricks in Acapulco

Mexican banking regulators have asked Grupo Financiero Serfin, Mexico's third largest bank, to draw up plans to raise a possible $1bn in coming years to settle lingering problems from the 1994 peso crisis.

However, the bank, which is partly owned by the UK-based HSBC, is playing down any pressures from the move because it does not need to start raising the capital until 2001.

Bankers say the tug-of-war between the two institutions has raised concern among Serfin's interbank creditors. Analysts are recommending selling its stock, which is traded in the US and Mexico, though it was delisted from the New York Stock Exchange in February.

New demands for capital would be a major headache for Serfin shareholders, who have already had to raise $1.5bn to dig the bank out of its post-1995 hole. Only last year they saw profits for the first time after two years deeply in the red.

Eduardo Fernández, head of the National Banking and Securities Commission, said in an interview at a banking convention here that for the moment the bank was adequately capitalised and provisioned, and had no solvency or liquidity problems.

"We're relaxed about the present, but in the medium term we have to prevent problems by seeking greater capital contributions from the shareholders. We don't think there are additional fiscal resources available to support this capitalisation effort," he said.

The problems stem from Serfin's sale of more than 55bn pesos ($5.8bn) of loans to a government trust called Fobaproa after the 1994 pesos crisis. For seven years after 2001, the bank will have to accumulate loss-sharing provisions against up to 30 per cent of that amount.

In the worst case, it is estimated the cost would be around 10bn pesos, depending on Serfin's success in recovering the assets. That would be more than its 9.2bn pesos of existing shareholder capital.

Adolfo Lagos, Serfin's director general, played down the problems and highlighted instead what he called a "spectacular" operating turnround, from losses totalling 10.9bn pesos in 1996 and 1997 to a profit of 127m pesos last year.

"The bank is adequately capitalised according to Mexican law, and we don't see immediate capital pressures because we don't expect credit to begin to grow in any significant way for the next two years," Mr Lagos said.

To meet the loss-sharing needs from 2001 onwards, he said the bank could tap its shareholders and sell assets, but he ruled out seeking another foreign partner besides HSBC. "We have the best partner ... I don't want or need another partner," he said.

The bank's other relationship, a $68m planned investment from J.P. Morgan, the US investment bank, was expected to be cancelled after Serfin pleaded guilty to charges of drug money laundering in a US court late last month.

Xoom.com in talks on takeover

By Roger Taylor in San Francisco

Xoom.com, the US-based internet community site, has said it is in takeover talks – a sign of the increasing pace of consolidation in the internet business.

The revelation came in regulatory filings prompted by a share offer last week, which said the company was in talks with "one party" about a "major investment ... that could result in a change of control". Xoom was not available for comment yesterday.

The fast-growing company would appeal to many investors. Interest in internet community sites, which help members build their own web pages and form clubs and interest groups online, has been high since Yahoo!, the leading internet portal, bought Geocities, the largest internet community, for about $5bn earlier this year. Yahoo!'s rivals that do not yet have community sites, such as Excite or AltaVista, are likely to want to follow Yahoo's lead.

Xoom.com came to the stock market in December with the shares at $14. Since then they have jumped to more than $70, valuing the company at close to $1bn, despite the fact that it made a loss of $10.8m last year on turnover of $8.3m. It currently has about 7m members, and is growing rapidly.

It is one of a second generation of Internet community sites. Unlike the first generation, Xoom.com is focused on e-commerce. Members say what they want to buy and agree to receive email offers from the company, which then tries to negotiate good deals for its members.

Daehan operations suspended

South Korea's Financial Supervisory Commission, the financial watchdog, said it had decided to suspend Daehan Investment Banking due to cash-flow problems, Reuters reports from Seoul.

The FSA said Daehan was technically in default as the country awaited another list of troubled merchant banks headed for closure. Daehan missed payments on Won400bn to Won500bn ($327m-$409m) of notes due last week, said officials.

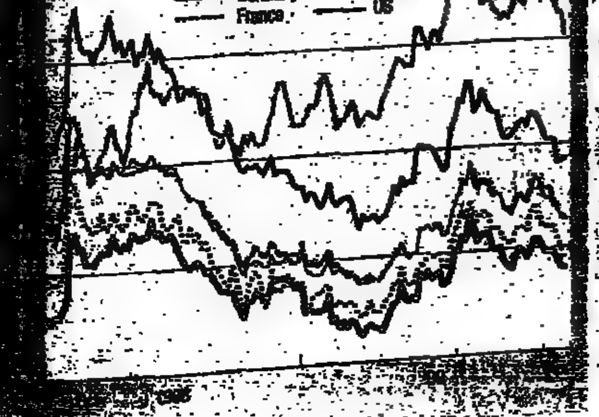
But Daehan, whose major shareholder, Sungwon Construction, was also rumoured last week to be facing financial problems, was granted a reprieve instead of being declared in default. "Regarding Daehan's failure to settle the note payment yesterday, [Daehan]) was given a reprieve," said an official at the agency.

He said the FSA had begun discussing with government authorities the future of the financial firm. The authorities were said to include the finance minister and officials at the presidential secretariat.

Another FSA official said it would name one or two merchant banks for closure soon following the financial-sector restructuring.

The supervisory agency had been expected to release merchant banks' earnings figures as of March 31 on Thursday but delayed the release in consideration of how it would affect financial markets, the official said.

Merchant banks, whose main business is short-term lending to companies largely through discounting of commercial bills, had been blamed for helping bring about the 1997 crisis.



INTERNATIONAL EQUITIES AMBITIOUS PRESIDENT PREPARES BOURSE FOR ALLIANCE OR POSSIBLE PUBLIC LISTING

Electronic trading sets Mexico buzzing

By Andrea Mandel-Campbell in Mexico City

The giant mirror dome that is home to Mexico's stock market has suddenly gone quiet. The shouts of frantic traders no longer echo from its sun-dappled curves and only the odd crumpled voucher litters the floor.

Could it be the apocalyptic results of the world-wide financial crisis? Not quite. Despite the almost lethargic mood of the scant remaining traders languidly browsing computer screens, stock market trading volumes over the usually slow Easter holidays were nearly double those of the previous year, as were the number of operations.

In part, the indistinguishable buzz is due to an almost unprecedented rally that has pushed Mexico to the top of world markets in terms of profitability, gaining 35 per cent in dollar terms since the beginning of the year. But mostly it's because the exchange has gone fully electronic since mid-January.

There have been glitches, with trading stopped for more than three hours at a stretch. But where before more than 5,000 operations would bring the ill-equipped market floor to a standstill, trading is now faster, more efficient and virtually unlimited, say traders, resulting in greater volumes and a 55 per cent drop in spreads.

Under the same scheme, brokerages are moving operations from the floor to remote computers at office headquarters and by June not one trader will be left under the dome.

Trading is faster, more efficient and virtually unlimited, say dealers, with greater volumes and a 55 per cent drop in spreads

"The change has been dramatic," said Alvaro Garcia Pimentel, trader for Merrill Lynch in Mexico and president of the floor brokers committee. "You become a more complete trader."

The move is the latest in an ongoing restructuring began in 1992 under the leadership of Manuel Robleda, stock market president, to turn Mexico's bourse into a profitable and efficient enterprise.

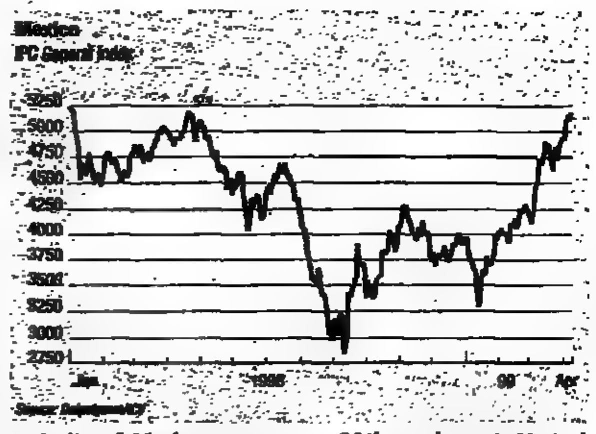
Mr Robleda says he is preparing the exchange for an eventual alliance with other markets or a possible public listing, pointing to examples in Milan, Stockholm and Australia.

"The future of the market is in alliances or privatisation and for that you need value-added, like state of the art technology. Otherwise it's difficult to enter the big leagues," said Mr Robleda last week before meeting with members of the Latin American Federation of Stock Exchanges in Santiago, Chile to discuss regional alliances.

Cross-listing stocks on other regional exchanges – or, perhaps more importantly, in the US or Europe – would boost the profile of Mexican companies and provide much-needed liquidity, said Mr Robleda.

The still diminutive market has a capitalisation of some $100bn; about 140,000 clients, compared with 430,000 a decade ago; and negligible mutual fund investors.

In a bid to drum up new business and compete with US markets, where the majority of Mexican companies are traded, the bourse introduced a special listing for medium-sized companies in 1996 and has launched a derivatives and warrants market, although all with limited success.



Other plans in the works include the opening of a futures market and introduction of wholesaler traders.

The efforts of Mr Robleda, a 25-year market veteran, and a newly streamlined board of directors, have been held up by continued stock market volatility, a depleted client base and a banking crisis in 1995 that continues to be felt, say market observers.

Of the exchange's 32 stockholders, eight – mostly the brokerage arms of local banks – are inactive and soon to be dissolved. Others, such as Bankers Trust, are closing their Latin American operations.

However, for those who do stay, Mr Robleda is making it worth their while. For the first time in the exchange's 105-year history, the board has paid out $86m in dividends over the last five years, in spite a 29 per cent decline in earnings since 1992.

By reducing costs by a third and generating new sources of income through the sale of electronic information, net profits have remained unchanged. Mr Robleda wants to add to the pot and bring in new shareholders, such as market makers, with the sale of the market's famed dome, estimated to be worth $40-$50m.

Some wonder whether the exchange will be able to sell the 18-floor building, more than half empty since personnel were cut by nearly 50 per cent. The bourse's newly formed systems subsidiary, Bursatec, is also in the midst of moving to a state-of-the-art computer centre outside the city.

In the meantime, ownership of the building – a big barrier to buying into the exchange – has been factored out of the cost of a market share and placed in a separate account. As a result, the share cost has dropped from $3.2m to $700,000.

"Maybe what we have done is a bit unorthodox but we don't want to limit ourselves," said Mr Robleda. "Whether that means forging alliances or an all-out fusion with another exchange, then that's what we'll do. What we want is to be a real spring-board of development for the country," he said.

Coca-Cola to continue fight for Orangina

By Samer Iskandar in Paris

Coca-Cola, the US soft drinks company, pledged at the weekend to proceed with its planned acquisition of Orangina, the French maker of sparkling orange drinks owned by the wine and spirits group Pernod Ricard, in spite of a setback in the country's highest administrative court.

However, the FFr5bn (€762m, $821m) deal is likely to be scaled down significantly, after the Conseil d'Etat, the highest administrative court in France, rejected on Friday Coca-Cola's appeal against a government decision to veto the transaction.

Coca-Cola appealed to the court earlier this year, after Dominique Strauss-Kahn, finance minister, adopted a ruling by the independent competition regulator that the sale would result in a dominant position for Coca-Cola in the most profitable segment of the soft drinks market – sales in cafés, hotels and restaurants.

Coca-Cola said at the weekend it was "still interested" in acquiring Orangina and that it had maintained talks with the government to tackle "the preoccupations raised by the Conseil de la Concurrence [the competition regulator]".

Coca-Cola's decision to refer its complaint to France's highest court follows its failure, after six months of talks, to agree with the government on the definition of the markets covered by the deal.

The finance ministry argues that Coca-Cola and Orangina would have a share of well over 25 per cent of the non-cola soft drinks market. Coca-Cola's claim that it is not in a dominant position is based on its assumption that the relevant market segment is that for "non-alcoholic drinks".

Frédéric Thiriez, a lawyer acting for Coca-Cola, said the authorities' veto was politically motivated. "Coca-Cola has the disadvantage of being American," he said last week.

The planned sale, which gained support from the French trade unions after Coca-Cola guaranteed jobs at Orangina until 2002, was strongly opposed by PepsiCo, Coca-Cola's main US rival. PepsiCo currently relies on Orangina's infrastructure to distribute its products in France.

Orangina's distribution facilities are likely to be left out of future talks between Coca-Cola and Pernod Ricard, with the transaction price falling as a result.

Associates First Capital in rejig

By John Authers in New York

Associates First Capital, one of the largest consumer lending and leasing companies in the US, has started an ambitious programme of reorganising its international assets, following its acquisition of the Avco consumer lending business from Textron.

The acquisition was the most ambitious yet attempted by Associates, which completed its spin-off from Ford last year. It gave the company businesses in eight new countries, with 1,200 new offices and 2.5m customers.

The company ranges from commercial finance, including a leading position in truck finance in the US, to home equity lending and credit cards. With a market value of $33.6bn, it ranks among the largest US financial services companies.

Keith Hughes, the chief executive, has already started an aggressive campaign of remodelling the company. In the southern US, 128 former Avco branches have been sold to Citigroup's Commercial Credit group. It will also close another 10 branches which overlap with existing Associates branches.

Among its new markets, it has acquired large businesses in the UK, Canada, Australia and New Zealand – although it may opt not to stay in Australia or New Zealand. Mr Hughes said: "We have some questions about whether that market could stand up to our growth expectations over time."

The company is also looking at expanding into emerging markets, although it would need to be able to reach "critical mass" swiftly.

Associates is staying in credit cards, where it has a "niche" business offering credit cards under its own name. It also produces credit cards for Washington Mutual, the largest US thrift, and has one of the largest US businesses providing "own-label" credit cards for corporations.

US credit cards have seen swift consolidation in the last year, with several medium-sized players, such as Bank of New York or Mellon Bank, deciding to sell to companies which benefited from economies of scale.

Mr Hughes suggests, however, that arguments about scale can be taken too far – the industry's current reliance on extra finance charges and other fees show that operating costs are not an "overwhelming decision factor".

Within the commercial credit market in the US, Associates has been a consolidator, but several other "serial acquirers" have been doing the same thing, notably GE Capital, the financial services arm of General Electric.

The merger of CIT Group with Newcourt of Canada, announced earlier this year, creates a commercial lending company which is bigger than Associates in some businesses, although Mr Hughes does not believe they will be "any more formidable collectively than they could have been individually".

On the commercial front, the emphasis will be on providing finance for computers and telecommunications equipment at technology-based companies.

Company results in China reveal a mixed picture

By James Harding in Shanghai

As foreign investors in China look for signs in the real economy to match the Beijing government's suggestions that an economic rebound is under way, Chinese company results have come under closer scrutiny than usual.

Zhu Rongji, the prime minister, on tour in the US, has been forecasting economic growth in 1999 outstripping last year's 7.8 per cent, yet corporate figures reported in Hong Kong and Shanghai have presented a more mixed picture.

Over the weekend, Eastern Communications, the Shanghai-listed telecommunications equipment supplier, reported a 27 per cent fall in 1998 profits owing to a tougher regulatory climate, despite a rise in sales. Profits fell to Rmb 203.3m ($24.6m) in 1998 from Rmb 309.7m the previous year, although turnover rose to Rmb 5.68bn from Rmb 4.73bn.

The company said rapid growth in the domestic mobile phone market had boosted sales, but the cost of further investments and tax adjustments resulting from a clampdown on improper use of rebates appeared to have eroded earnings.

Huaneng Power, a mainland company with H shares listed in Hong Kong and American Depositary Receipts (ADRs) in New York, said by contrast that it had improved earnings last year but forecast a tough 1999. The company reported an 11 per cent rise in net profits to Rmb 1.84bn in 1998 compared with Rmb 1.66bn the previous year.

Shanghai Industrial, the Hong Kong-listed holding company, was upbeat. It reported a 13.7 per cent rise in net profit for 1998 and said the 1999 outlook was much improved, especially now banks were willing to lend again. Last week the company posted profit attributable to shareholders of HK$1.15bn ($148.4m) for the year ended December 1998, compared with the previous HK$1.02bn.

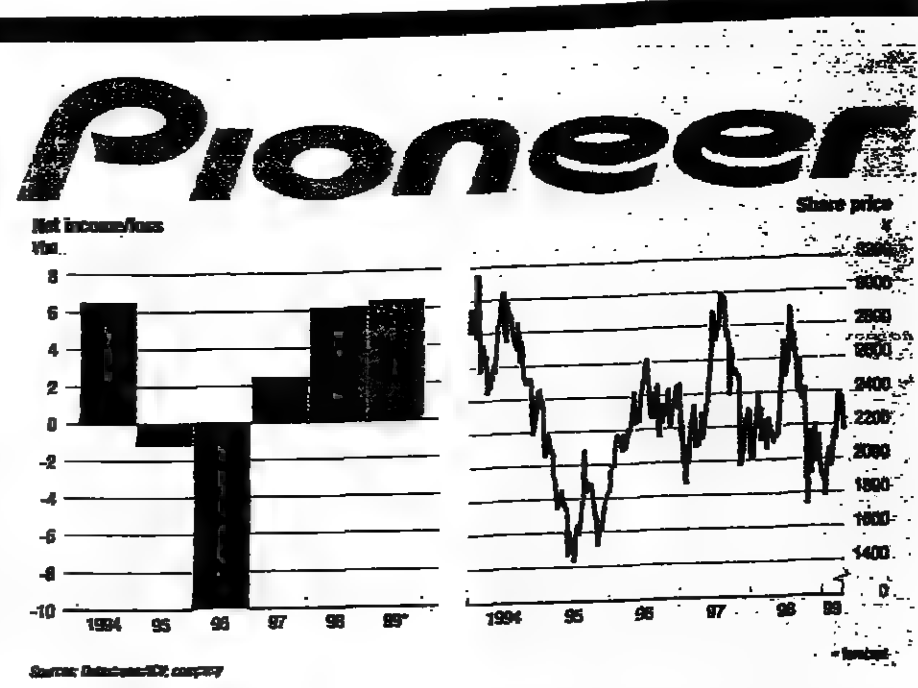
Corporate China has struggled to get access to foreign credit since the closure late last year of Guangdong International Trust and Investment Corporation (Gitic), the investment arm of the Guangdong provincial government and one of China's largest foreign borrowers. But Shanghai Industrial's chairman Cai Laixing said: "The worst of the credit crunch is over."

Shanghai Industrial's earnings growth came chiefly from expressway joint ventures, its dairy business, a printing company and a recently acquired medicine manufacturer, Qingchunbao Pharmaceutical.

Lucky Film, China's leading manufacturer of photographic film, achieved a 32 per cent increase in net profits in 1998, it reported last week. It still disappointed markets, as the earnings were lifted substantially by investment in state debt and interest on funds from its stock offer. Exports of the company's colour film and photographic paper fell by more than 40 per cent.

Pioneer seeks to navigate a route to better returns

The electronics group is struggling to meet its targets, writes **Paul Abrahams**



When Takashi Kobayashi visited Europe late last year, he knew he was in for a rocky ride. For years, the managing director in charge of investor relations at Pioneer, the innovative Japanese electronics group, has presented the group's results to foreign investors.

His visits have borne fruit – nearly 30 per cent of shares are held by non-Japanese investors. But this time he needed to justify the group's disappointing results. "I had some explaining to do," he smiles.

Since then Pioneer's situation has, if anything, deteriorated further. Operating profits in the third quarter, ending in December, tumbled 18 per cent year on year to Y3.7bn ($30.6m) on sales of Y147bn. The margins were just 2.5 per cent. "Our results are not satisfactory," Mr Kobayashi agrees.

Some of the problems are beyond the group's control. "The Far East is a problem, Russia is a problem, Brazil is a problem," laments Mr Kobayashi. In Europe and the US, where the economies are more buoyant, pricing is under pressure.

"Frankly, any benefits from a cheaper yen last year were squandered by aggressive price-cutting," he says.

As for the domestic market, consumers remain reluctant to spend. Although some of Pioneer's operations, such as Digital Video Disc (DVD) and car navigation systems are growing fast, the group's traditional mainstay products, such as home audio and in-car entertainment, are suffering. The audiovisual software business performed particularly poorly. In the third quarter, sales fell 34 per cent to Y8bn.

Pioneer has responded to the crisis by announcing an aggressive cost-cutting programme aimed at cutting operating expenses by as much as 30 per cent. The group has cut the number of models it produces by 30 per cent and launched a programme to standardise the parts used in different products.

Manufacturing has been increasingly transferred overseas – about 50 per cent now takes place abroad. Finally, capital spending has been slashed. Mr Kobayashi explains that the build-up of overseas production has been completed, and free cash-flow is positive for the first time in four years.

However, in spite of such measures, the group continues to struggle to meet its financial targets. The group had set itself a goal of return on equity of 10 per cent by 2005. At present it is just 1.8 per cent.

Mr Kobayashi insists Pioneer's future is dependent on its ability to increase sales by leveraging its technology. There is no doubting Pioneer's historic record of innovation – the company has been a leader in car navigation systems and DVD technology.

Top-line sales growth in DVD, where Pioneer wants to become the world leader, has been impressive. So far, 2m players have been sold worldwide, a faster uptake than either compact disc or the video recorder. In the US alone, more than 1m have been sold by all manufacturers, thanks partly to the better availability of software there. The group is also betting on DVD-Rom for computers. Since its June launch 6m have been sold.

The car navigation market is also growing fast. The group has 25 per cent of the Japanese market. In 1997, Pioneer introduced the industry's first DVD-Rom car navigation systems with features such as voice recognition. A CD-Rom-based system will be launched in the US and Europe this spring.

Sales growth should also come from plasma displays for ultra-thin – 9cm depth – televisions.

Prices remain high – about Y1.4m for a 40-inch screen and Y2.5m for a 50-inch screen, but Mr Kobayashi believes that improving yields and cost-cutting should bring prices down, to a level where the TV becomes a mass market product.

The final core technology that should drive sales is television set top boxes. Last year the group won an order to supply 400,000 units in Europe to Canal Plus.

Pioneer is already selling in France, Spain, Italy, and plans to launch in Scandinavia and Benelux this year. There is huge potential in the US, where 66m analogue boxes are installed.

However, it is unclear whether the investment in new technologies will generate an adequate return. Analysts point out that cash generation has tended to be low, and with Moody's Investors Service giving the group a Baa3 rating, there are long-term questions over its ability to sustain its research and development investment.

The biggest problem is that Pioneer, with its market capitalisation of just Y414bn, remains a minnow compared with companies such as Sony and Matsushita, which have much deeper pockets. Even when Pioneer develops new and successful applications, it tends to be edged out by its bigger rivals.

It is a measure of the doubts about Pioneer that since January last year it has slightly underperformed the Topix index of all first-section shares on the Tokyo exchange.

That is not a dazzling performance, given its fast-growing market segments. As Mr Kobayashi prepares to meet investors, to explain the company's results for the year ending March 31, he will have yet more explaining to do.

TELEPHONES AFTER MONTHS OF DISARRAY IN BRAZIL, SPANISH COMPANY SAYS SERVICE WILL GET BETTER

Telefónica pledges improved network

By John Barham in Sao Paulo

Spain's Telefónica says it has got to grips with Sao Paulo's telephone system, seven months after taking over the state's snarled network. From now on, the company's president promises to provide a "perfectly acceptable" level of service.

Fernando Xavier Ferreira, who runs Telefónica's Brazilian business, admits that the rush to meet next month's deadline, set by regulators, for clearing a backlog of lines its state-owned predecessor had promised clients but failed to deliver, caused an "inevitable but temporary degradation" of the system.

Engineers cut lines off for days and weeks and changed numbers without informing users in time. Placing calls became a frustrating experience. The surge in complaints overwhelmed support staff, worsening frayed tempers.

The chaos prompted regulators to punish the company with fines of up to R$8.5m (US$5m), with possibly more in the pipeline. The state assembly set up an investigatory commission. Companies and individuals are filing lawsuits demanding potentially large damages.

The mess in Sao Paulo, Brazil's business hub, humiliated Telefónica in its biggest venture overseas. It paid R$5.78bn (then worth US$4.96bn) for the Sao Paulo telephone network, 64 per cent above the minimum price. The fiasco has cost the company much of the goodwill that greeted the privatisation and could affect its ability to defend the valuable franchise once the market is thrown open to full competition at the end of this year.

Alexandre Constantini, telecoms analyst at Bear Stearns, the New York investment bank, says Telefónica is "spending a lot more on publicity than expected. Telefónica has a terrible image". It is perceived as incompetent, arrogant and indifferent to the problems it has caused. He says Telefónica did not warn the public, which expected service to improve after privatisation, that initially "things would not be as good as expected".

Mr Ferreira says that starting today, this will change: "The technicians we had working on [the backlog] will be redeployed to establish perfectly good services. There will be definite benefits for the population."

Telefónica is installing two million new lines in Sao Paulo this year, expanding the network by one third. This would repeat the pattern in other Latin American markets, where Telefónica took over networks on the verge of collapse. A period of initial disarray while it sorted out systems was followed by improvements in quality.

The government will soon select operators to set up and run new parallel or "mirror" networks to compete with the privatised companies. Using wireless local loop technology, these operators should be able to install lines quickly and cheaply. Telefónica's travails will provide its competitor with a golden marketing opportunity, and it could find itself fighting for market share sooner than it thought.

Yet Regio Martins, analyst at Deutsche Bank, dismisses doomsday scenarios for Telefónica. He said: "Within a year the network should be working well, and with digitalisation we can have all kinds of intelligent services like call-forwarding, caller identification, voice mail and an efficient billing system. Their image can improve."

He expects Telefónica to turn in a reasonable performance this year, given the poor economic outlook following January's devaluation of the Real. He forecasts net revenues of R$5.5bn, compared with R$4.5bn last year, a drop of about 10 per cent in US dollar terms.

However, net margin should climb by over 10 per cent as profits – excluding provisions for legal costs – rise to over R$900m from R$670m the year before.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
LVMH (France)	Gucci (Italy)	Luxury goods	$8.7bn	Formally rejected
Philips Electronics (Netherlands)	VLSI Technology (US)	Semiconductors	$777m	Offer extended
General Cable Corp (US)	Unit of BICC (UK)	Engineering	$440m	Seller refocusing
BT (UK)	SmarTone (HK)	Telecoms	$384m	Strategic 20%
Cap Gemini (UK/France)	Beechwood (US)	Computer srvcs	$200m	IT integration
Schroder Ventures (UK)	AU-System (Sweden)	Computer srvcs	$135m	Mobile majority
Cupola Group (Dubai)	Unit of Inchcape (UK)	Business srvcs	$116m	Disposals continue
Frangi Investments (Italy)	Tie Rack (UK)	Retailing	$36m	Agreed cash bid
Carclo Engineering (UK)	Wood Industries (US)	Plastics	$35m	Manufacture move
Midland Bank (UK)	Mid-Med Bank (Malta)	Banking	n/a	Now negotiating

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, April 9, 1999. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	EURO €	YEN (X 100)
Afghanistan	(Afghani)	7551.60	4702.62	5067.78	3883.41
Albania	(Lek)	229.816	143.008	154.165	118.080
Algeria	(Dinar)	109.027	68.0305	71.1587	54.5279
Andorra	(French Fr)	9.7730	6.0860	6.5596	5.0265
	(Sp Peseta)	247.515	154.307	166.386	127.591
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gibraltar	(Gib £)	1	0.6228	0.6712	0.5143
Greece	(Drachma)	463.156	288.909	304.265	248.493
Greenland	(Danish Krone)	11.0742	6.8965	7.4321	5.6954
Grenada	(E Carib $)	4.3354	2.7000	2.9097	2.2297
Guadeloupe	(French Fr)	9.7730	6.0869	6.5596	5.0265
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Panama	(Balboa)	1.6057	1	1.0777	0.8258
Papua New Guinea	(Kina)	3.7828	2.3555	2.5386	1.9454
Paraguay	(Guarani)	4675.60	2912.00	[illegible]	2404.72
Peru	(New Sol)	5.3880	3.3556	3.6161	2.7710
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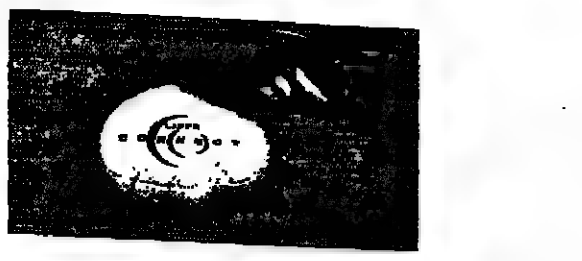


MARKETS WEEK

April 12 - April 18

NEW YORK

By Andrew Edgecliffe-Johnson

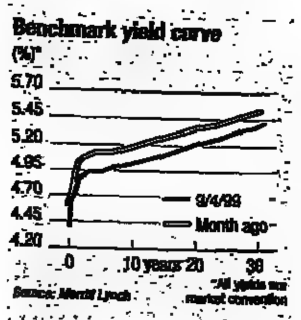
The impact of Compaq's profit warning, delivered late on Friday, may dominate Wall Street's attention early this week, but there is no shortage of economic news to focus on.

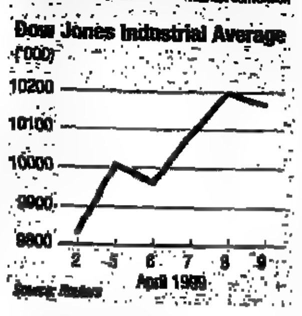
On Tuesday, the consumer price index for March is expected to show its largest rise for just over two years. The forecast 0.3 per cent increase, after 0.1 per cent advances in the previous two months, will be largely because of higher gasoline prices, assisted by reduced discounting from car sellers and rises in air fares.

Also on Tuesday, retail sales data for March should show another solid gain of 0.4 per cent, despite the early Easter holidays. Annualised growth in consumer spending has been about 5 per cent over the first quarter, although there are signs this will slow in the coming three months.

On Wednesday, the business sales and inventories report should show a 0.2 per cent rise, confirming the more conservative approach shown to inventory management in the US.

Friday brings March housing starts, estimated to have fallen 1.5 per cent, and industrial production figures, which should show a 0.1 per cent rise.





LONDON

By Steve Thompson

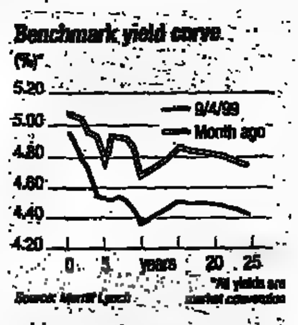
Investors might well be expecting something of a breather after the frantic pace of the London market's rise in recent sessions, which has seen the FTSE 100 and FTSE All-Share indices racing to record levels and the junior indices making rapid progress.

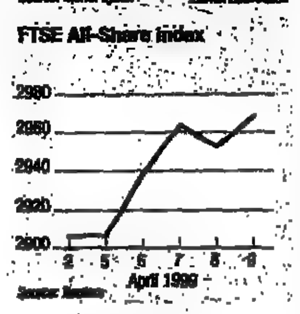
There is not much in the way of domestic economic news or indeed company news this week to whet the appetites of the market's many optimists. But many UK market observers continue to see London as offering good value compared with the US and other European markets.

Corey Miller, UK equity market strategist at Paribas, sees London as riding a wave of momentum-driven buying and sees little to bring a halt to the current support for the market, although he is reluctant to shift his end-year FTSE 100 forecast beyond 6,500.

The strategy team at BT Alex Brown has been preaching caution, however, and pointed out that sterling's stubborn strength in remaining above the DM2.90 level will keep many companies uncompetitive in international markets.

Friday brings the last day of trading in the London market's April index options.





FRANKFURT

By Uta Harnischfeger

After weeks of lingering below the 5,000 mark, the Dax index of Germany's top 30 blue chips rose 66.16 points on Friday to close at 5,133.92, buoyed by the European Central Bank's rate cut late on Thursday.

The clear close above 5,000 was cheered as a significant achievement.

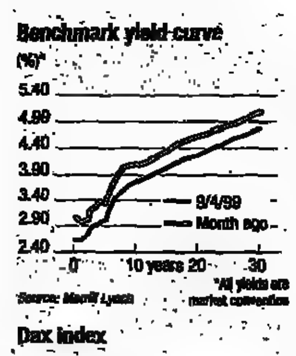
Optimists now see the Dax climbing slowly but gradually towards 5,500 while others say that passing the February high of 5,292.74 should be the main target.

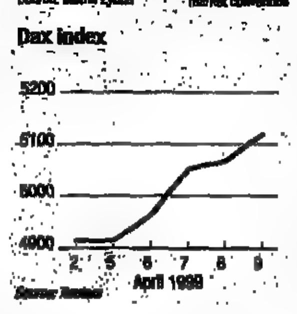
Regardless, analysts say the ECB's easing should stimulate the market for some time.

Consumer goods and software groups, cyclical shares such as Linde and Thyssen, and growth segments such as chemical stocks should profit most from the lower level of interest rates.

On the other hand, some analysts warn that the ECB's clear statement that this was the last rate cut for the time being could damp the long-term mood.

On Wednesday, earnings conferences will be held by chemicals group Boehringer Ingelheim, mixed industrial group Mannesmann, tyre maker Continental and construction company Hochtief.





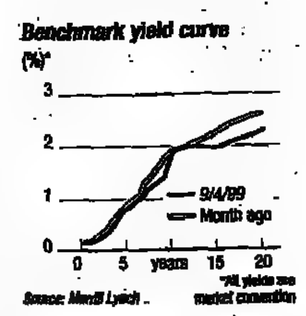
TOKYO

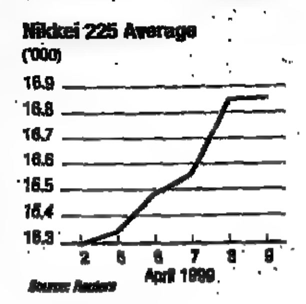
By Paul Abrahams

Investors will be watching whether Japanese equities can continue their impressive run. The Nikkei 225 index closed at 16,855 on Friday, up 565 points on the week, and briefly broke through 17,000 in intra-day trading. Since October, it has risen 30 per cent.

Most of the buying has come from foreign investors, who last month bought more Japanese stocks than ever before, motivated partly by hopes that companies' restructuring announcements are genuine. However, domestic buyers have been mostly absent. Further foreign demand would support the yen against the dollar and currencies in Europe, where interest rates fell last week.

As for the bond market, inflationary expectations remain low but prices could suffer if further issuance is required to fund government spending in the second half. There have been hints from coalition politicians about the need for a supplementary budget, given low growth prospects for the Japanese economy. About 80 per cent of the last package was front-loaded into the six months to September. Bond prices could fall if senior Liberal Democratic Party figures start backing the idea of another package.





COMPANIES DIARY

EDITED BY MARTIN BRICE

Compaq warning shifts focus to computer groups

In the UK, retailing group Tesco dominates the results scene, but on the international front the profits warning from Compaq on Friday will throw investor focus on to figures due from US computer companies.

The recent UK results season added to the evidence that the UK economy is set to enjoy a soft landing rather than recession.

Research by the strategy and economics team at ABN Amro has highlighted growing confidence that recession will be avoided, and this has prompted the team to advise investors to switch from defensive stocks displaying earnings growth to those that are seen as early economic cycle plays such as resources and general industrials.

Stocks such as telecommunications and pharmaceuticals have performed very strongly as investors sought shelter from the effects of the turmoil in Asia.

This has in turn pushed the FTSE 100 index, of which such stocks constitute 25 per cent, to record levels. ABN Amro said the outperformance of growth stocks since 1994 showed signs of ending. "It is time to switch into value stocks," the team said.

However, any significant switching of investment portfolios into general industrial stocks could prompt outperformance in the FTSE 250 and SmallCap indices. Research by the quantitative analysis team at Dresdner Kleinwort Benson has highlighted the fact that the heavy weighting of such stocks in those indices has been a significant factor in their underperformance.

Earnings in the diversified industrials sector, for example, are forecast, by a consensus of earnings to be published in the April edition of The Estimate Directory, to grow by 20 per cent in the next financial year. This is a switch from negative growth of 54 per cent forecast for the current year.

TODAY

● Interim numbers from AB Foods are expected to rise modestly, helped by cost savings in its UK food manufacturing side.

Carl Short at SG Securities forecasts a pre-tax advance from £193m to £198m.

While sugar prices in the UK have remained low due to the strength of sterling, the British Sugar subsidiary has reduced processing costs.

● Jefferson Smurfit, the international paper and packaging group, is expected to produce pre-tax profits of I£168m (£141m) up from the I£150m last year. Analysts will be keen to hear of the current pricing environment, particularly in the US, and the effect of the Asian turmoil of last year in these results.

TUESDAY

● Tesco is expected to reveal another strong performance when it reports final figures. House broker BT Alex Brown expects the food retailer to produce an underlying pre-tax advance of about 5.5 per cent to £870m. Total sales growth is expected to be up about 7.3 per cent, divided equally between like-for-like and new store openings.

The results may be overshadowed by any comment the group has to make on recent regulatory worries sparked by the referral of food retailing to the UK competition authorities.

● Intel, the world's largest semiconductor group, is expected to report first-quarter earnings of $1.10 (68p) a share, compared with 81 cents a year earlier, while revenues are expected to reflect the traditional seasonal downturn, analysts said. Slow sales of the new Pentium III chip, launched at the end of February, are expected to be offset by sales of the Xeon chip for high-end servers and workstations. *AFX News, San Francisco*

● Interim numbers from Pressac, the electrical and electronic components manufacturer, are expected to rise from £4.5m to about £5.8m.

WEDNESDAY

● Strong demand for iMac personal computers, offsetting lacklustre laptop sales, is expected to help Apple Computer to report second-quarter earnings per share of between 47 and 62 cents, up from 38 cents a year earlier, analysts said. *AFX News, San Francisco*

THURSDAY

● Sun Microsystems, the US computer group, is expected to report earnings per share ahead at 70 (59) cents for its third quarter ended March. *AFX News, San Francisco*

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
PLDT	175	Apr 2009	10⅝	99.851	10.56	+540(Nov08)	Warburg Dillon Read
Federal Home Loan Banks	3bn	Apr 2001	5.125	99.985	5.175	+25(4¾Mar01)	Deutsche Bank
Fannie Mae(c)★	3bn	Jan 2009	5.25	96.5418	5.718	+59(4¾Nov08)	Lehman/SPMM/SDW
BNG(d)	250	Jan 2004	5.25	98.598	5.598	+52(4¾Feb04)	CSFB/Salomon SB
Republic of Turkey(s)	200	Dec 2006	12.60	undisd			Chase/Salomon SB
Barclays Bank plc(n,S)	280	Apr 2009	(n1)	100.217			Barclays Capital
Multicanal(l)	175	Apr 2009	13⅛	99.553			BankBoston/CSFB
LBW Capital Markets(k)	160	Mar 2005	8.00	100.6522	4.987	+52(4¾Feb04)	CSFB
BMW UK Capital(e)	100	Feb 2002	4.25	98.545	5.537	+60(4¾Mar01)	Commerzbank
LBW Capital Markets plc	500	Apr 2009	5.875	99.558R	5.934	+72(4¾Nov08)	ABN Amro/Nomura
JFM	500	May 2009	6.00	99.967R	6.094	+81(4¾Nov08)	Deutsche/Goldman
World Bank	500	Apr 2006	5.50	99.874R	5.522	+45(4¾Feb04)	Nomura International
Westpac Banking Corp	500	Apr 2004	5.75	99.529R	5.861	+76(4¾Feb04)	JP Morgan/Warburg DR
Republic of Hungary	500	Apr 2006	6.50	99.648	6.565	+145(Feb06)	ABN Amro/Salomon SB
Deutsche Bank Finance(w)	300	Apr 2004	5.75	99.877R	5.779	+70(4¾Feb04)	Deutsche Bank
Banco Bas	150	Apr 2009	10.50	99.815	10.70	-	ABN Amro
Wiedemann Corporation‡	50	Apr 2002	(x)	100.00	-	-	Chase Manhattan Intl
BBV International Finance‡	750	May 2008	(A)	100.058	-	-	CSFB
Christiania Bank‡	250	May 2002	(B)	100.066R	-	-	Deutsche Bank
Wiedemann Corporation‡	50	Oct 2002	(C)	100.00	-	-	Chase Manhattan Intl
STERLING							
European Investment Bank	200	Apr 2039	5.00(a)	99.741R	5.015	+50(6%-2028)	Barclays/Dresdner KB
Helaba Intl Finance(a)	50	Dec 2009	4.75	97.73	-	-	RBC DS Global Markets
NTL Communications Cp(t)	330	Apr 2009	(z1)	62.11	9.75	+533(5¾Dec09)	Goldman/MStanley
DSL Bank	150	Dec 2009	5.125	99.348R	5.21	+77(5¾Dec09)	Greenwich NatWest
Lusfer Holdings plc(S,l)	160	May 2009	10⅛	100.00	10.13	+537(10yr)	Morgan Stanley DW
YEN							
BNG(b)★	12bn	May 2000	5(t)	99.95	-	-	Nomura International
SWISS FRANCS							
Elf Aquitaine	250	May 2004	2.25	101.70	-	-	Warburg Dillon Read
IADB	500	May 2004	2.00	101.80	-	-	Warburg Dillon Read
AUSTRALIAN DOLLARS							
NSW Treasury Corp★	210	Apr 2002	4.60	99.96	-	-	Nomura International
CANADIAN DOLLARS							
Canada Mtg & Hsg Corp(v)	500	Jun 2004	5.00	99.692R	5.025	+12(6½Jun04)	Merrill/TD Securities
NEW ZEALAND DOLLARS							
Westpac Trst Sec NZ(IK Br)	100	Apr 2004	6.00	100.04	-	-	RBC DS Global Markets
EUROS(e)							
Republic of Austria	1.1bn	Oct 2004	3.40(s)	99.709R	3.46	(m)	Dresdner KB
NACB	500	Apr 2009	4⅜	99.257R	4.467	+43(4%Apr09)	Deutsche Bank
Municipal Housing Finance	250	Apr 2003	4.25	100.00R	4.250	+21(f)	ABN Amro/CDC
BSB Finance Ireland(e,l)	75	Mar 2009	4.75	100.713R	4.658	+63(f)	CDC Marchés
DG Hypothekenbank(y)	1.75bn	Apr 2004	3.25	99.965R	3.407	+18½(Jan04)	ABN/DG Bank/Dresdner
Deutsche Ausgleichsbank	1.5bn	Jul 2009	4.00(s)	98.581R	4.175	+28(3¾Jan09)	Deutsche/HSBC/Merrill
Commerzbank AG(S)	400	Apr 2009	4.75	99.526R	4.790	+80(3¾Jan09)	Commz/MSDW/Warburg
SEEC(p,l)	350	Apr 2004	3.375	99.845R	3.409	+16(5¾Apr04)	Paribas
Total SA(l)	300	May 2006	3.875	99.693R	3.926	+30(f)	Crdt Agricole Indosuez
Sollac‡	250	Apr 2001	(u)	100.00R	-	-	Crdt Agricole Indosuez
SIMB‡	150	Sep 2004	(i)	99.874	-	-	Salomon Smith Barney
Bank Austria	500	Apr 2004	3.50	99.955R	3.510	+30(3¾Mar03)	Barclays Capital
Republic of Argentina	450	Apr 2006	9.00	95.458	9.311	-	CSFB/Deutsche
Bremer Landesbank‡	125	Apr 2000	(v)	100.05	-	-	Paribas
Crédit Mutuel de Bretagne‡	200	May 2004	(D)	99.996R	-	-	CCF/JP Morgan
TDA 8, Class A(E)‡	144.8	Dec 2031	(E1)	100.00	-	-	Morgan Stanley DW
Sachs 99-1, Class A(F)‡	245.5	Apr 2002	(F1)	100.00R	-	-	Goldman Sachs Intl
Sachs 99-1, Class B(F)‡	127.5	Apr 2002	(F2)	100.00R	-	-	Goldman Sachs Intl
Sachs 99-1, Class C(F)‡	82	Apr 2002	(F3)	100.00R	-	-	Goldman Sachs Intl

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ◆With equity warrants. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) Fungible with £300m. Plus 27 days accrued. b) Redeemed in Y of $ depending on FX rate. c) Fungible with $4bn. Plus 87 days accrued. d) Fungible with $750m. Plus 83 days accrued. e) Spread relative to German government bonds unless stated. f) Spread re French govt bonds. g) Fungible with $250m. Plus 119 days accrued. Puttable on 15/12/03 at par. h) Callable on 15/4/04 at par. h1) 3-mth Libor +45bp to Apr 04, then +95bp. i) Over interpolated yield. j) Puttable on 15/4/04 at par. k) Fungible with $500m. Plus 21 days accrued. l) Long 1st coupon. m) Fungible with $200m. Plus 61 days accrued. n) Fungible with €400m. Settles on coupon date. o) Eonia +10bp. p) Caisse d'Epargne [illegible]. s) Short 1st coupon. t) 3-mth Euribor +10bp. u) Fungible with £200m. Plus 56 days accrued. v) Fungible with C$650m. Plus 134 days accrued. w) $300m launched 22/3/99 was increased to $600m. x) 6-mth Libor +27bp. y) 6-mth Euribor -4bp. z) Callable from 15/4/04 at 104⅝% falling to par. z1) zero to 15/4/04, then 9⅞%. A) 3-mth Libor flat. B) 3-mth Libor +16bp. C) 6-mth Libor +28bp. D) 3-mth Euribor +15bp. E) Secured on Spanish mortgages originated by Bilbao Bizkaia Kutxa. Expected maturity Jun 2011. Average life: 4.8 yrs. E1) 3-mth Euribor +24bp. F) Pan-European credit securitisation on behalf of Gerling Insurance Group. Mandatory call provision at redeemable price. F1) 3-mth Euribor +45bp. F2) 3-mth Euribor +85bp. F3) 3-mth Euribor +170bp. G) Callable from 1/5/04 at 105.0625% falling to par. Equity clawback prior to 1/5/02. Change of control put option. S) Subordinated. Note: Yields are calculated on ISMA basis.

LONDON MARKET DATA

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt cap (£m.)	1999 High	1999 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	30.5	102	99¼	BGI Endowment II	102	+1	-	-	-	-
100	F.P.	-	96	95	Br Smlr Cos VCT	96		-	-	-	-
-	F.P.	-	12½	12½	Do Warrants	12½		-	-	-	-
-	F.P.	18.6	119½	99½	Calegoro Restnt	117		-	-	-	-
-	F.P.	0.78	27	17½	Da Vita	23		-	-	-	-
§	F.P.	-	107½	105	Edinburgh IncMkt	105½	-1	-	-	-	-
§	F.P.	-	105	100½	Edinburgh Val ZDP	103	-1½	-	-	-	-
-	F.P.	58.8	100¼	99	Enhanced Zero Tst	99¾		-	-	-	-
§	F.P.	21.6	100½	98½	Gartmore High Inc	100		I0.2	-	6.7	-
-	F.P.	18.7	108	101½	Do Zero Div Prf	106¾		-	-	-	-
-	F.P.	16.6	260	245	Lonrho Warrants	257½	+2½	-	-	-	-
-	F.P.	61.3	77¼	[illegible]	[illegible]	76½	+1	-	-	-	-
-	F.P.	289.5	80½	79	[illegible] Portfolio	79¼	+¼	-	-	-	-
-	F.P.	102.0	105¼	92½	Mercury Asset Allocator	105¼		-	-	-	-
-	F.P.	287.4	232½	231	Morse	235		-	-	-	31.9
-	F.P.	5.39	110½	107½	†NBA Quantum	110		W-	-	-	11.2
§	F.P.	19.8	165	155	Shaw FitzGerald	155		-	-	-	28.4
*	F.P.	11.8	157½	65½	†Sports Internet	134	-1½	-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1999 High	1999 Low	Stock	Closing price p	+or-
275	Nil	15/4	30pm	9½pm	Holmes Place	14pm	+3½
90	Nil	28/4	23pm	16½pm	Mice	21pm	
0.5	Nil	30/4	1pm	½pm	Versailles	½pm	

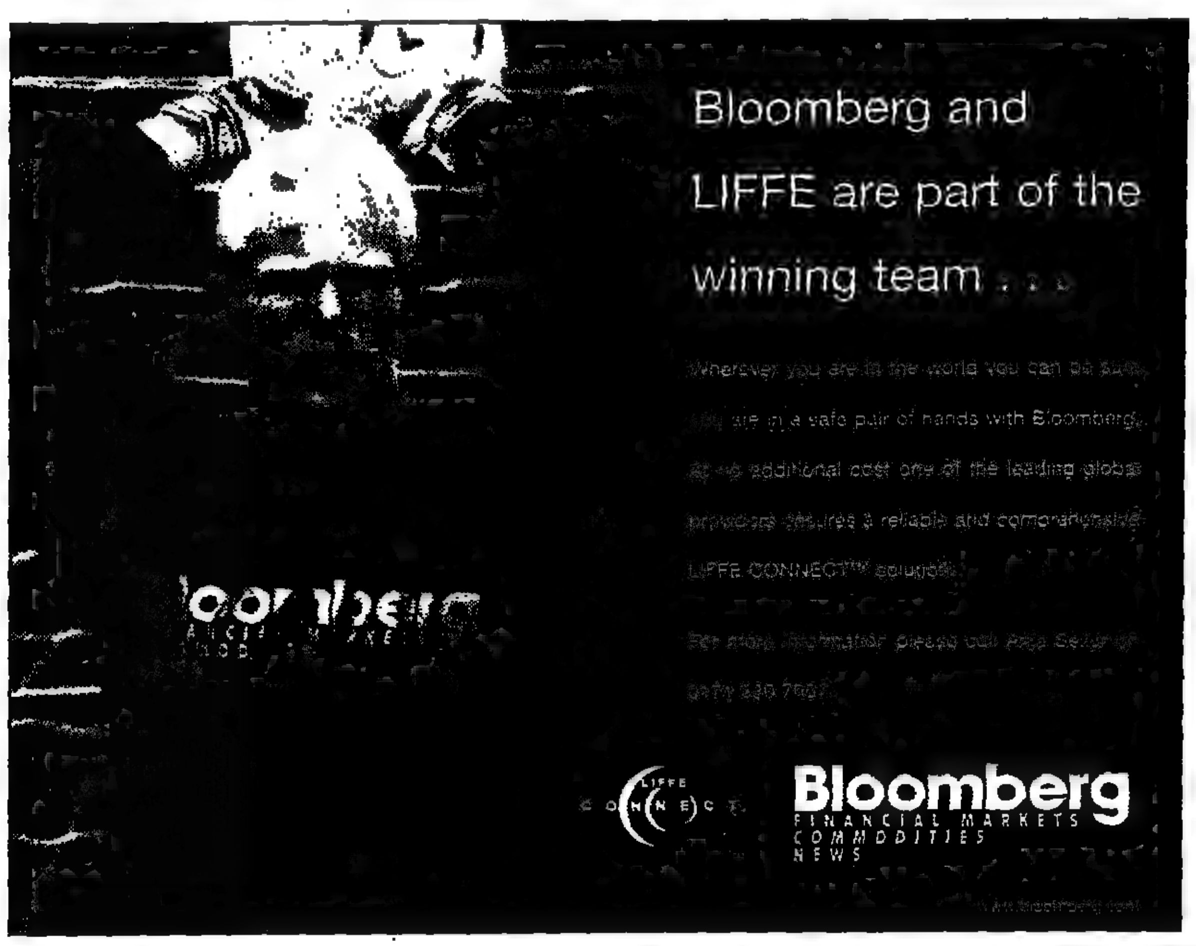
FTSE GOLD MINES INDEX

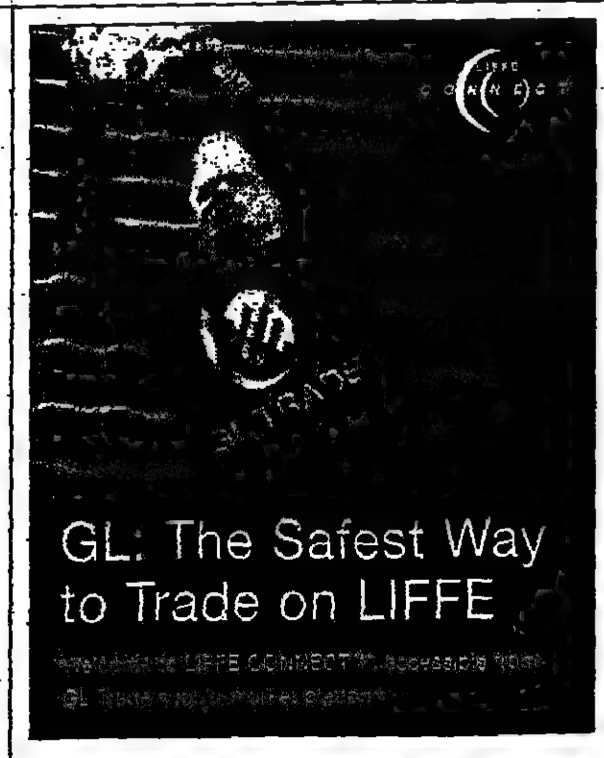
	Apr 9	% chg since 31/12/98	Mkt Cap $bn	% of Gold Mines	Gross div yld %	Total return	52 week High	52 week Low
Gold Mines Index (28)	859.39	-8.04	28.45	100.00	2.12	987.97	1381.57	701.86
■ Regional Indices								
Africa (9)	978.82	-1.32	8.01	28.15	4.23	999.31	1458.04	765.63
Australasia (8)	1063.76	-8.25	3.85	13.52	2.86	1073.97	1800.53	815.93
Americas (11)	787.01	-10.74	16.60	58.33	0.92	790.32	1317.41	647.89

Copyright, FTSE International Limited 1999. All rights reserved. Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. † Partial. CONSTITUENT CHANGE DURING THE WEEK ENDING 9/4/99: Deletion: Great Central Mines (Australasia).

STOCK INDICES

	Apr 9	Apr 8	Apr 7	Apr 6	Apr 5	1999 High	1999 Low	Since comp. High	Since comp. Low
FTSE 100	6472.80	6437.00	6473.20	6415.30	0.00	6473.20	5770.20	6473.20	986.90
FTSE 250	5563.50	5514.00	5498.50	5456.70	0.00	5563.50	4829.10	5968.60	1379.40
FTSE 250 ex IT	5607.00	5552.48	5535.25	5494.90	0.00	5611.20	4834.10	6030.60	1378.30
FTSE 350	3069.90	3051.70	3064.70	3037.90	0.00	3069.90	2749.00	3546.40	664.50
FTSE SmallCap	2423.30	2420.75	2411.12	2407.02	0.00	2423.30	2082.76	2898.00	1363.79
FTSE SmallCap ex IT	2388.12	2386.30	2375.58	2374.28	0.00	2388.12	2039.63	5854.10	1363.79
FTSE All-Share	2969.79	2951.34	2960.29	2933.26	0.00	2969.79	2654.82	2969.79	61.92
FTSE Fledgling	1320.30	1316.84	1312.07	1310.00	0.00	1320.30	1182.50	1617.11	31.14
FTSE Eurotop 100	3003.76	2987.07	2996.19	2957.24	0.00	3003.76	2663.70	3068.81	2044.47
FTSE Eurotop 300	1294.54	1284.57	1284.20	1274.34	0.00	1294.54	1164.66	1327.68	874.06
FT 30	3942.20	3893.90	3905.50	3873.30	0.00	3942.20	3423.90	3984.00	49.40
FT Govt Securities	114.88	114.16	114.25	114.17	0.00	117.17	112.01	141.84	49.18
FT Fixed Interest	155.65	154.61	154.60	154.51	0.00	156.66	153.27	158.66	50.53
FTSE Gold Mines	859.39	839.20	864.28	848.32	860.62	1046.27	839.20	2074.81	701.86





CURRENCIES & MONEY

Time to take stock

By Alan Beattie

After the excitement of last week's interest rate cuts in the euro-zone and the UK, participants will have an opportunity to work out their medium-term effects on the currency markets.

The majority view was that a cut would be good for sterling, especially if it decreased the chances of a future cut and increased the prospects for a soft landing of the UK economy.

This week will show whether the recovery above the key $1.60 level can be maintained, and how the short sterling market sees the interest rate path.

The market was less convinced that the same would be true for the euro, and indeed the wobbly performance of the currency in the aftermath of the ECB's cut last Thursday seemed to indicate that its future was less clear.

There is little in the way of business confidence data coming out this week to give the market a clue whether conditions are ripe for a turnround in the core euro-zone economy.

More important will be any public comments by ECB members or leading euro-zone politicians giving indications of future monetary or fiscal policy moves.

Despite Wim Duisenberg's insistence last week that the cut was the final move for the foreseeable future, some persist in thinking that any further downward revisions to growth expectations could see another easing.

The market will also turn attention to non euro-zone members of the European Union. Sweden may well decide to follow Denmark's lead in matching the ECB's 50 basis point cut in the near future.

Denmark itself may decide to trim the 40 basis point gap between the ECB's repo rate and its own with a further small reduction. And Norway may well decide to ignore recent weaker oil prices and also go for a cut.

POUND SPOT FORWARD AGAINST THE POUND

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

WORLD INTEREST RATES

MONEY RATES

Apr 9	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
BBA Euro Libor	–	[illegible]	[illegible]	[illegible]	[illegible]	–	–	–
weekago	–	[illegible]	[illegible]	[illegible]	[illegible]	–	–	–
Euro Euribor	–	2.660	2.660	2.676	2.719	–	–	–
weekago	–	2.983	2.942	2.920	2.939	–	–	–
EONIA	2.81	–	–	–	–	–	–	–
weekago	2.98	–	–	–	–	–	–	–
EURONIA	2.8007	–	–	–	–	–	–	–
weekago	–	–	–	–	–	–	–	–

London interbank fixing rate (LIBOR) is the BBA London rate, fixed at 11am.
Mid rates are shown for the domestic Money Rates, US$ CDs, Euro & SDR Linked Deposits (Dn)

INTERNATIONAL CURRENCY RATES

US TREASURY BILL FUTURES (CME) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.74	95.75	–0.01	95.76	95.74	82	1,391

POUND IN NEW YORK

Apr 9	—Close—	—Prev. close—
£ spot	1.6060	1.6050
1 mth	1.6075	1.6045
3 mth	1.6070	1.6040
1 yr	1.6077	1.6047

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Markets page in today's edition.

OTHER CURRENCIES

Apr 9	£	$
Czech Rp	56.7500 - 56.8980	35.3550 - 35.4540
Hungary	377.607 - 378.485	235.240 - 235.549
Iran	4815.60 - 4815.60	3000.00 - 3000.00
Kuwait	[illegible]	[illegible]
Peru	5.3840 - 5.3920	3.3541 - 3.3570
Poland	6.3858 - 6.3975	3.9780 - 3.9830
Russia	41.8957 - 42.2401	26.1000 - 26.3000
U.A.E.	5.8958 - 5.9001	3.6728 - 3.6733

BANK RETURN

The Bank Return table can be found on page 28 in today's edition.

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

PHILADELPHIA SE £/$ OPTIONS

PHILADELPHIA SE £/D-MARK OPTIONS

BENCHMARK GOVERNMENT BONDS

UK INTEREST RATES

LONDON MONEY RATES

BANK OF ENGLAND TREASURY BILL TENDER

	Apr 9	Apr 1
Bills on offer	£200m	£200m
Total of applications	£1,237m	£1,050m
Total allocated	£200m	£200m
Min. accepted bid	£98.780	£98.780
Allotment at min. level	81%	100%

	Apr 9	Apr 1
Top accepted rate	4.8834%	4.8533%
Ave. rate of discount	[illegible]	[illegible]
Average yield	4.9510%	4.9025%
Offer at next tender	£200m	£200m
Min. accept. bid 28 days	£99.610	£99.610

BASE LENDING RATES

	%
Adam & Company	5.25
Allied Irish Bank (GB)	5.25
●Henry Ansbacher	5.25
Banco Bilbao Vizcaya	5.25
Bank of Cyprus	5.25
Bank of Ireland	5.25
Bank of India	5.25
Bank of Scotland	5.25
Barclays Bank	5.25
Brit Bk of Mid East	5.25
●Brown Shipley & Co Ltd	5.25
Citibank NA	5.25
Clydesdale Bank	5.25
The Co-operative Bank	5.50
Coutts & Co	5.25
Cyprus Popular Bank	5.25
Duncan Lawrie	5.25
Exeter Trust Limited	6.25
●Robert Fleming & Co	5.25
Habib Bank AG Zurich	5.25
Heritable & Gen Inv Bk	5.50
C. Hoare & Co	5.25
●SG Hambros Bank & Trust	5.25
Hongkong & Shanghai	5.25
Investec Bank (UK) Ltd	5.25
Julian Hodge Bank	5.25
●Leopold Joseph & Sons	5.25
Lloyds Bank	5.25
Midland Bank	5.25
NatWestminster	5.25
●Rea Brothers	5.25
Royal Bk of Scotland	5.25
Scottish Widows Bank	5.50
Singer & Friedlander	5.25
Smith & Williamson	5.25
Sun Bank	5.25
TSB	5.25
United Bank of Kuwait	5.50
Unity Trust Bank Plc	5.25
Whiteaway Laidlaw	5.25
Yorkshire Bank	5.25

● Members of London Investment Banking Association

UK GILTS PRICES

Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Shorts (Lives up to Five Years)						
Treas 10½pc 1999	100.5700	–.1	1,252	[illegible]	10.11	1288
Treas 6pc 1999	100.3500	—	8,850	Fe10 Au10	1.2	3635
Conv 10¼pc 1999	103.2100	–.1	1,798	My22 No22	12.11	1242
Treas 8½pc 2005	122.4800	0.8	10,373	[illegible]		
Conv 9½pc 2005	132.8500	0.8	[illegible]	[illegible]		
Treas 7¾pc 2006	119.8200	0.8	4,800	[illegible]		
Treas 8pc 2002-6	109.8700	—	2,050	[illegible]		

LEGAL NOTICES

EDINBURGH SMALL COMPANIES TRUST PLC

REGISTERED COMPANY NUMBER- 145455

In a Petition presented to the Court of Session on 26th March 1999 at the instance of Edinburgh Small Companies Trust plc., Company Number 145455, a company incorporated under the Companies Acts and having its registered office at Donaldson House, 97 Haymarket Terrace, Edinburgh, EH12 5HD for an order confirming the reduction of its share premium account, the Court has pronounced the following interlocutor:-

"31 March 1999 Lord Johnston

The Lord Ordinary appoints the Petition to be intimated on the Walls in common form and to be advertised once in the "Edinburgh Gazette" and once in the "Financial Times" newspapers and appoints any person(s) claiming an interest to lodge Answers thereto, if so advised, within 21 days after such intimation and advertisement.

Alan Johnston"

Of all which intimation is hereby given

Brodies W.S.
15 Atholl Crescent
Edinburgh
EH3 8HA

Solicitors for Petitioners

EURO PRICES

EQUITIES

Price and growth data may stifle rate joy

EUROPEAN OVERVIEW

By Arkady Ostrovsky

As the impact of the 50 basis points cut in euro-zone interest rates by the European Central Bank settles in, the markets's focus will shift to economic data from individual member countries this week.

Disparities between inflation and economic growth indicators in the different economies mean that the central bank's cut may be more suitable for some countries such as Germany than for others – Spain for instance.

Investors will today scrutinise German industrial production figures for January and February for any signs of economic stabilisation. Markets will be also be concerned with European inflation data, particularly that of Spain.

"The turnaround in energy prices and on-going high inflation in services will likely increase inflation [in Spain] to a level not seen since last summer," says a research note by Deutsche Bank.

"Ironically, the single currency reinforced the divergence between European countries, and the ECB's cut will intensify the pressure," said Robert Lind at ABN Amro.

This was unlikely to widen government bond yield spreads between euro-zone countries, said Mark Cliffe, at ING Barings, who also argued that higher inflation and growth in poorer countries was inevitable in the process of "catching up".

Market analysts will also have to decide whether this was the last cut from the ECB in this rate cycle as comments by Wim Duisenberg, the head of the ECB, and Jean-Claude Trichet, the governor of the Bank of France, indicate. Indeed, some analysts argue the next move in interest rates by the ECB could be upwards in the longer term.

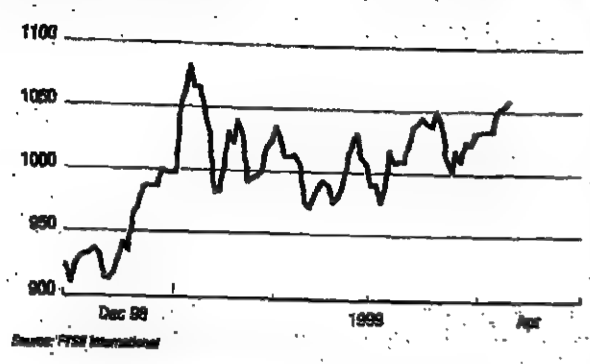
"If the ECB was so activist on the way down, it could be similarly activist on the way up," said Mr Lind.

The conflict in Kosovo has so far had limited impact on the markets, but as the bombing moves into its third week, analysts and markets strategists will begin to calculate the budgetary costs of fighting a prolonged war.

The FTSE Eurotop 100 index ended the week 2.5 per cent higher at 3,003.76, while the Eurotop 300 rose 2.7 per cent to 1,260.01. The FTSE Ebloc 100 index added 2.5 per cent to 1,032.64.

FTSE Eurobloc 100

Index



Source: FTSE International

THREE MONTH EURIBOR FUTURES (LIFFE) €1m 100-rate

THREE MONTH EURO LIBOR FUTURES (LIFFE) €1m 100-rate

THREE MONTH EURO LIBOR OPTIONS (LIFFE) €1m 100-rate

FTSE EUROTOP 100 INDEX FUTURES (LIFFE) €20 per full index point

EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) €10 per index point

OTHER INDICES

For real-time FTSE Eurotop 300 index quotes call FT Cityline on 0906 843 5920. Calls are charged at 60p per minute at all times.

FTSE Actuaries Share Indices — European series

Apr 09

National & Regional Markets	Euro Index	Day's %	change points	Yield gross %	xd adj ytd	Total retn (Euro) €
FTSE Eurotop 300	1294.54	+0.78	+9.97	1.89	5.02	1339.43
FTSE Eurotop 100	3003.76	+0.56	+16.80	1.86	11.58	1081.16
FTSE Eurobloc 100	1058.07	+0.60	+6.30	1.91	1.38	1075.30
FTSE EuroMid	1254.82	+0.78	+9.73	2.73	7.07	1307.81

FTSE EUROTOP 300

CURRENCIES & MONEY

EURO SPOT FORWARD AGAINST THE EURO

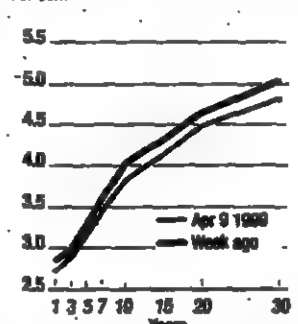
BONDS

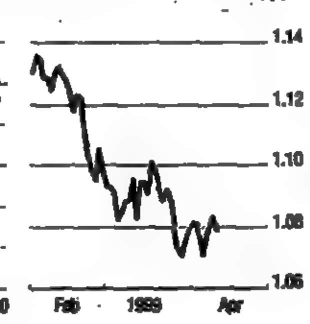
INTEREST RATE SWAPS

EURO-ZONE BONDS

Euro bond yield curve

Euro against the dollar





Source: Interactive Data/FT Information

LONDON SHARE SERVICE

AEROSPACE & DEFENCE

AUTOMOBILES

BANKS

BEVERAGES

CHEMICALS

CONSTRUCTION & BUILDING MATERIALS

CONSTRUCTION & BUILDING MATERIALS - Continued

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQUIPMENT

ENGINEERING & MACHINERY

ENGINEERING & MACHINERY - Continued

FOOD & DRUG RETAILERS

FOOD PRODUCERS & PROCESSORS

FOOD PRODUCERS & PROCESSORS - Continued

FORESTRY & PAPER

GAS DISTRIBUTION

GENERAL RETAILERS

HEALTH

HOUSEHOLD GOODS & TEXTILES

HOUSEHOLD GOODS & TEXTILES - Continued

INFORMATION TECHNOLOGY HARDWARE

INSURANCE

INVESTMENT COMPANIES

INVESTMENT COMPANIES - Continued

INVESTMENT COMPANIES - Continued

INV TRUSTS SPLIT CAPITAL

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Continued

[illegible]

MINING - Continued

[illegible]

REAL ESTATE - Continued

[illegible]

SPECIALITY & OTHER FINANCE - Continued

[illegible]

TRANSPORT - Continued

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

STEEL & OTHER METALS

[illegible]

AIM - Continued

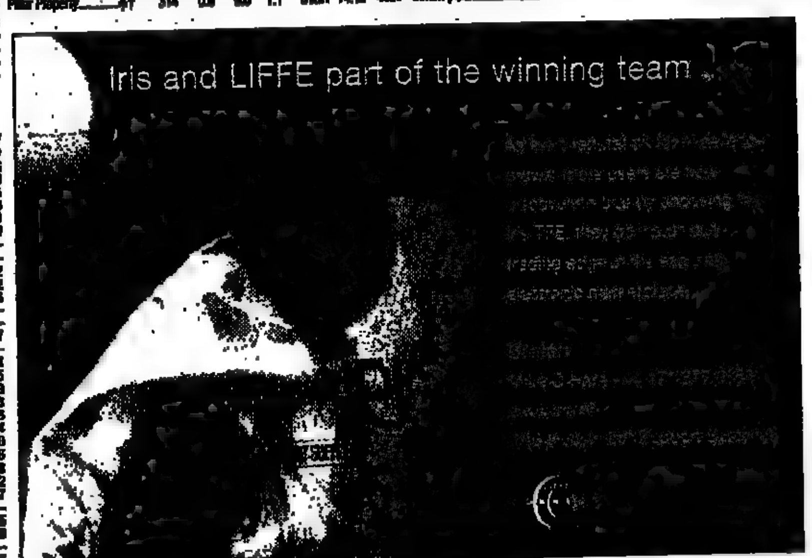
[illegible]

LEISURE, ENTERTAINMENT & HOTELS

[illegible]

OIL & GAS

[illegible]



REAL ESTATE - Continued

[illegible]

STEEL & OTHER METALS - Continued

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

SUPPORT SERVICES

[illegible]

TRADED INDEX SECURITIES

[illegible]

AIM
Alternative Investment Market

[illegible]

LIFE ASSURANCE

[illegible]

PACKAGING

[illegible]

RESTAURANTS, PUBS & BREWERIES

[illegible]

MEDIA & PHOTOGRAPHY

[illegible]

PERSONAL CARE & HOUSEHOLD PRODUCTS

[illegible]

SOFTWARE & COMPUTER SERVICES

[illegible]

PHARMACEUTICALS

[illegible]

TELECOMMUNICATIONS SERVICES

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

REAL ESTATE

[illegible]

MINING

[illegible]

SPECIALITY & OTHER FINANCE

[illegible]

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by *Financial Times Information.*

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise indicated. For FTSE Index constituents and reserves, last trade prices at or prior to market close are shown, as these stocks are now traded on the Stock Exchange Electronic Trading System ("SETS").

Net dividends are shown in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Dividend covers are calculated on a "net" basis.

Market capitalisations shown are calculated separately for each line of stock quoted.

† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
Figures or report awaited
Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
♣ Free annual/interim report available, see details below.
‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
Price at time of suspension
Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
Merger bid or reorganisation in progress
§ Forecast dividend; cover based on earnings updated by latest interim statement.
♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Dividend adjusted for complex issue. g Assumed dividend. h Assumed dividend after scrip issue. [illegible] a Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. x Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Dividend includes special payable after [illegible]. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1999-2000. [illegible] prospectus or other official estimates for 1999. K Dividend based on prospectus or other official estimates for 2000. L Estimated annualised dividend. Cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1999-2000. N Dividend is paid in whole or part as a FID (Foreign Income Dividend). P Dividend adjusted for consolidation or share split. [illegible] prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1570 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Bevett Enhanced Inc, Do Zero Div Prf, Murray Global Return, Do Units, Do Zero Div Prf (InCo), Canary Wharf (REst), Axon (S&CS). Deletions: Wakon (E&EE), Eyecare Products (Hlth), Macohm Thompson (RP&B).

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0906 843 0010 and key in a 5 digit code listed below. Calls are charged at 60p per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

Fidelity Currency Funds Ltd

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

CAYMAN ISLANDS (REGULATED)(**)

[illegible]

MFS Meridian Funds - Contd.

[illegible]

GUERNSEY (FSA RECOGNISED)

[illegible]

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (FSA RECOGNISED)

[illegible]

Aberdeen Prolific Intl Fund Plc

[illegible]

Baring Intl Fd Mngrs (Ireland) Ltd

[illegible]

GT Global - Contd.

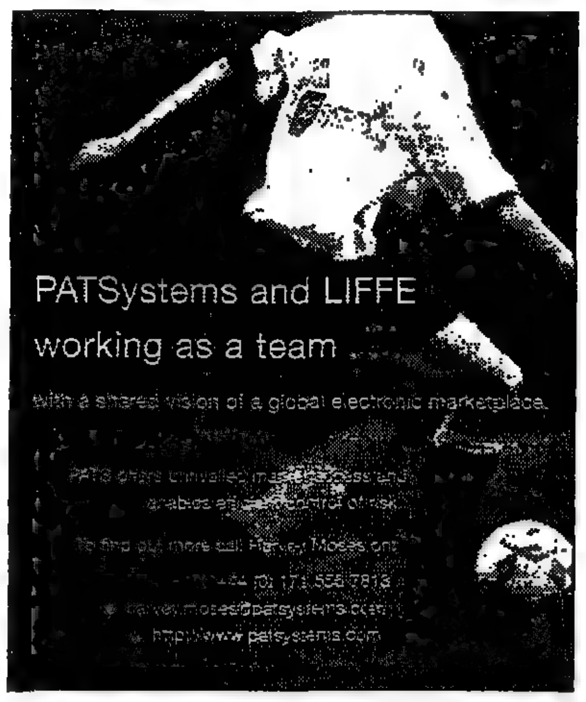
[illegible]

For Guinness Flight see Investec Guinness Flight

The Halal Mutual Investment Company Plc

19 South Frederick Street, Dublin 2 01709 351 1111(AB)

Sterling Portfolio	£250.00	3.22	5729



Baring Intl Fd Mngrs - Contd.

[illegible]

Henderson Crosthwaite Investment Co

[illegible]

Tilney (Ireland) Ltd

[illegible]

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

[illegible]

Gartmore Korea Fund Plc

[illegible]

Philip Smith & Co

[illegible]

ISLE OF MAN (FSA RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

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)ffshore Funds and Insurances

FT MANAGED FUNDS SERVICE

▶ FT Cityline Unit Trust Prices: dial 0906 843 0010 and key in a 5 digit code listed below. Calls are charged at 60p per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

JERSEY
(FSA RECOGNISED)

JERSEY
(REGULATED)(**)

LUXEMBOURG
(FSA RECOGNISED)

LUXEMBOURG
(REGULATED)(**)

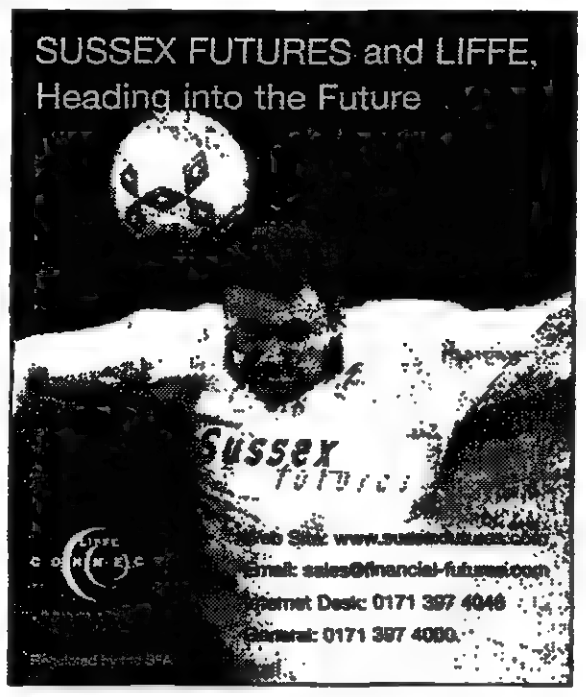
OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices: dial 0906 843 0010 and key in a 5 digit code listed below. Calls are charged at 60p per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

	Selling Price	Buying Price	Yield Gross	City-Line
Allied Dunbar International Assce Ltd (z)				
43-61 Allied Street, Douglas, IoM				01624 661551
[illegible]				
CMI Insurance Co Ltd				
[illegible]				
CMI Ins Co Ltd/Clerical Med Life				
Clerical Medical Hse, Douglas, IoM			00 (44) 1624	[illegible]
[illegible]				
Old Mutual International (Guernsey) Ltd				
PO Box 121, St. Peter Port, Guernsey				01481 [illegible]
[illegible]				
AXA Investment Managers Paris				
[illegible]				
Aberdeen Asset Management Asia Limited				
[illegible]				
Ability Fund Limited				
[illegible]				
Alliance Capital				
[illegible]				
Crystal Fund Managers (Bermuda) Ltd				
[illegible]				
Dresdner RCM Global Investors (BE) Ltd				
[illegible]				
GH Fund Management (Bermuda) Ltd				
[illegible]				
Global Asset Management				
[illegible]				
The India Special Situations Fund Ltd				
[illegible]				
Momentum Asset Mngt				
[illegible]				
Schroder Investment Mngt - Contd.				
[illegible]				



	Selling Price	Buying Price	Yield Gross	City-Line
Dresdner RCM Global Investors - Contd.				
[illegible]				
Dresdner Bank Investment Group				
[illegible]				
Global Asset Management - Contd.				
[illegible]				

OTHER OFFSHORE FUNDS

	Selling Price	Buying Price	Yield Gross	City-Line
ABB Global Trading Investments Ltd				
[illegible]				
AXA Investment Managers Hong Kong Ltd				
[illegible]				

© MANAGED FUNDS NOTES

[illegible]

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Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE (EMU) Prices in €

EUROPE (NON-EMU)

PACIFIC

AMERICAS

AFRICA

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY APRIL 9 1999 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY APRIL 8 1999 US Dollar Index	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (75)	219.51	0.5	202.68	168.02	234.54	231.93	0.1	3.25	217.56	200.24	166.31	231.23	231.73	219.96	163.86	215.20
Austria (21)	185.09	0.4	170.91	141.68	174.51	174.51	0.9	2.02	184.44	169.75	140.98	172.97	172.97	253.73	165.27	222.30
Belgium (22)	372.10	-0.2	343.59	284.83	343.48	343.48	0.4	1.96	372.68	343.01	284.88	342.20	342.20	445.95	319.89	320.83
Brazil (29)	148.23	-1.0	136.87	113.46	158.38	465.68	-1.8	4.52	149.68	137.76	114.42	159.09	474.57	269.34	89.32	264.13
Canada (113)	220.98	-1.5	204.04	169.15	236.12	240.61	-1.1	1.63	224.34	206.48	171.49	238.44	243.31	248.78	159.94	243.21
Denmark (34)	443.22	0.4	409.25	339.27	473.58	415.75	0.9	1.78	441.50	406.35	337.49	469.24	411.90	537.33	406.62	516.50
Finland (29)	719.62	2.8	664.45	550.84	833.20	833.20	3.4	1.40	700.03	644.29	535.11	806.23	806.23	719.62	338.49	390.98
France (74)	331.62	0.5	306.20	253.84	316.62	316.62	1.1	1.94	329.93	303.66	252.20	313.34	313.34	354.45	253.86	302.58
Germany (55)	260.96	0.5	240.95	199.75	246.21	246.21	1.0	1.61	259.73	239.05	198.54	243.76	243.76	325.61	226.35	284.65
Greece (36)	425.56	-0.4	392.94	325.74	454.70	917.92	0.0	1.21	427.47	393.43	326.76	454.33	917.92	454.89	211.47	-
Hong Kong, China (66)	344.88	2.1	318.45	263.99	368.50	343.08	2.1	3.30	337.74	310.85	258.17	358.97	335.96	344.88	196.64	341.67
Indonesia (24)	47.94	6.3	44.26	36.70	51.22	257.33	6.4	1.13	45.11	41.52	34.48	47.94	241.79	64.52	19.04	60.43
Ireland (14)	538.71	-1.2	497.42	412.36	554.71	554.71	-0.7	1.85	545.36	501.94	416.88	558.60	558.60	605.85	396.15	517.05
Italy (53)	171.15	-1.7	158.03	131.01	229.65	229.65	-1.2	1.51	174.10	160.24	133.08	232.37	232.37	192.64	128.68	165.82
Japan (443)	115.58	-0.6	106.72	88.47	123.49	88.47	-0.5	0.83	116.33	107.06	88.92	123.64	88.92	116.33	76.83	100.63
Mexico (29)	1559.88	-0.4	1440.31	1194.02	1686.71	16355.64	0.8	1.56	1588.51	1441.79	1197.46	1684.96	16228.22	1739.73	787.15	1641.41
Netherlands (26)	488.84	-0.5	452.30	374.95	457.16	457.16	0.0	2.09	492.27	458.08	376.30	457.01	457.01	582.73	394.92	500.42
New Zealand (18)	64.63	3.7	59.67	49.47	69.05	64.21	-3.0	3.73	62.31	57.35	47.63	68.22	62.36	76.03	45.68	74.52
Norway (37)	239.85	0.4	221.46	183.59	256.27	253.57	0.5	1.94	238.99	219.97	182.69	254.01	252.24	357.71	181.86	340.21
Philippines (22)	94.92	0.0	87.55	72.66	101.42	182.24	0.0	0.81	94.91	87.35	72.55	100.88	182.24	101.69	42.48	100.36
Portugal (18)	239.02	-0.3	215.16	178.37	296.70	296.70	0.2	1.10	233.70	215.10	178.65	296.00	296.00	299.39	194.13	-
Singapore (40)	240.63	1.8	222.38	184.35	257.33	192.31	1.8	1.40	236.98	218.11	181.15	251.87	188.69	240.83	102.45	225.96
South Africa (34)	209.44	2.7	193.38	160.31	223.78	283.37	2.2	3.40	204.00	187.76	155.94	216.82	277.26	346.20	151.55	324.04
Spain (30)	378.88	-0.5	349.84	290.02	449.15	443.15	0.0	1.59	380.93	350.61	291.19	443.19	443.19	435.19	290.81	392.54
Sweden (41)	551.43	0.1	509.16	422.09	589.20	676.16	0.2	2.00	551.05	507.18	421.23	585.69	674.73	628.19	379.18	584.76
Switzerland (30)	399.23	-0.2	368.63	305.59	426.57	367.55	0.7	1.16	400.17	368.31	305.90	425.92	365.14	441.65	307.73	400.23
Thailand (26)	25.78	0.4	23.81	19.74	27.55	37.98	0.8	2.19	25.68	23.64	19.63	27.30	37.68	28.11	8.15	27.76
United Kingdom (201)	405.32	0.3	374.25	310.26	433.08	374.25	0.6	2.27	404.27	372.08	309.03	429.67	372.08	405.32	307.96	399.24
USA (607)	555.89	0.3	513.10	425.36	593.75	555.69	0.3	1.20	553.84	509.74	423.36	588.64	553.84	555.69	390.12	453.81
Americas (778)	494.04	0.3	456.17	378.16	527.87	419.11	0.3	1.23	492.76	453.53	378.67	523.73	417.96	494.04	347.59	411.34
Europe (721)	362.50	0.1	334.72	277.48	387.33	349.40	0.5	1.88	362.27	333.43	276.93	385.04	347.52	386.24	282.63	358.16
Eurobloc (342)	102.05	0.0	94.23	78.12	104.21	104.21	0.5	1.76	102.07	93.95	78.03	103.68	103.68	113.92	81.53	-
Nordic (141)	536.65	1.0	495.52	410.78	573.41	568.29	1.3	1.77	531.29	489.00	406.13	584.69	560.76	555.97	380.04	508.11
Pacific Basin (714)	123.36	-0.2	113.91	94.43	131.81	97.09	-0.2	1.28	123.62	113.77	94.49	131.39	87.25	123.62	82.88	111.25
Euro-Pacific (1435)	222.49	0.0	205.44	170.31	237.73	191.82	0.3	1.09	222.54	204.82	170.11	236.53	191.21	222.54	166.00	214.17
North America (720)	533.01	0.3	492.16	408.00	569.52	533.93	0.3	1.21	531.58	489.25	408.34	584.98	532.42	533.01	374.92	440.39
Europe Ex. UK (520)	330.08	0.0	304.78	252.66	352.69	327.02	0.5	1.68	330.23	303.94	252.43	350.99	325.34	365.32	260.93	326.88
Europe Ex. Eurobloc (379)	101.73	0.2	93.93	77.87	108.69	104.92	0.6	2.01	101.58	93.49	77.85	107.96	104.32	103.93	77.40	-
Europe Ex. UK Ex. Eurobloc (178)	98.49	-0.1	90.94	75.38	105.23	100.45	0.5	1.41	98.61	90.76	75.38	104.80	99.91	109.21	75.16	-
Pacific Ex. Japan (271)	201.49	1.6	186.05	154.23	215.29	206.65	1.2	2.07	198.32	182.54	151.60	210.79	204.11	206.83	128.26	206.83
World Ex. Eurobloc (1905)	114.80	0.2	106.00	87.88	122.67	114.58	0.3	1.38	114.60	105.48	87.60	121.81	114.28	114.80	83.09	-
World Ex. US (1640)	222.59	-0.1	205.53	170.38	237.84	197.45	0.3	1.72	222.76	205.02	170.28	236.76	196.93	222.76	165.95	218.02
World Ex. UK (2046)	322.67	0.1	297.93	246.99	344.76	293.67	0.3	1.34	322.24	296.58	246.32	342.49	292.88	322.67	286.11	284.04
World Ex. Japan (1804)	436.71	0.2	403.24	334.28	466.62	433.47	0.4	1.51	435.85	400.97	333.02	463.03	431.75	436.71	320.58	389.94
The World Index (2247)	329.81	0.2	304.53	252.46	352.40	301.13	0.3	1.44	329.33	303.11	251.74	350.03	300.22	329.81	242.38	293.76

Emerging markets:

IFC investable indices

Dollar terms

Apr 08 Market		Day's chg %	% Chg since 31/12/98
Latin America			
Argentina	838.59	-0.1	+5.1
Brazil	308.39	+1.2	+12.1
Chile	549.66	+1.8	+21.8
Colombia[1]	377.08	+1.7	-14.2
Mexico	649.81	+1.2	+34.9
Peru[2]	143.50	+1.2	+6.8
Venezuela[3]	370.42	-3.2	-16.3
East Asia			
China[4]	28.14	+2.7	-0.2
India[7]	73.82	-1.3	+15.0
Indonesia[4]	22.79	+0.1	-5.9
Korea[5]	83.06	+0.9	+19.0
Malaysia	84.31	-0.5	-4.8
Pakistan[6]	103.51	-1.2	+9.5
Philippines	131.49	+1.7	+6.8
Sri Lanka[10]	68.08	+3.8	-17.4
Taiwan, China[8]	134.09	+2.4	+15.8
Thailand	63.13	+2.1	-0.1
Europe			
Czech Rep	45.78	+1.9	-9.8
Greece	770.36	+3.0	+24.4
Hungary[11]	252.16	+3.3	-10.1
Poland[12]	549.69		+5.0
Russia	34.55	-3.0	+47.3
Slovakia	33.17	+0.6	-23.9
Turkey[14]	227.22	-4.1	+65.3
Mideast/Africa			
Egypt	71.08		+10.3
Israel	125.15	+1.4	+22.4
Jordan	229.41	-0.5	+5.9
Morocco	164.20	-0.2	-8.0
S Africa[15]	141.72	-0.8	+13.2
Zimbabwe[16]	133.02	-0.6	+26.3
Regions			
Composite	215.15	+0.9	+15.2
Latin America	486.79	+1.1	+18.4
Asia	120.53	+1.5	+12.6
EMEA	130.38		+14.1
Europe	173.47	+0.4	+15.8
Eastn Europe	60.68	+0.4	+4.7
ME & Africa	60.49	-0.4	+12.8
Comp + Malay	215.76	+0.8	+13.9
Asia + Malay	117.89	+1.2	+9.1

Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 5 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.
Latest indices were unavailable for this edition.

NEW YORK STOCK EXCHANGE PRICES

4 pm close April 9

- X - Y - Z -

1999 High	Low	Stock	Div	Yld %	P/E	Vol 100s	High	Low	Close Quote	Chng Prev. Close
83	51	Xerox	0.80	1.3	23	17153	60	58¼	59¾	-¾
77¼	56 11/16	XL Cap♣	1.76	3.0	9	3008	59 11/16	59⅝	59⅝	
43½	37½	Xtra Corp			9	367	38⅞	37¾	38⅞	+1¼
29⅝	22¼	Yankee Egy	1.38	5.7	21	65	24	23⅞	24	
41⅝	33	York Int	0.60	1.7	10	738	35	34	34	
15	8⅛	Zapata			3	1655	9¼	8	9	
28	20	Zenith Nat	1.00	4.2	18	169	23	23⅛	23	
6	5	Zenix Inc	0.67	11.3		41	5	5⅞	5	
11	10	ZweigFd♣ x	1.20	11.8		721	10¼	10	10	
8	8	Zweig Tot x	0.84	10.1		409	8	8¼	8	

Price data supplied by Financial Times Information

Yearly highs and lows for NYSE reflect the period from Jan 1 1999. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full. # Dealings suspended.

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Apr 9	Apr 8	Apr 7	1999 High	1999 Low	Since compilation High	Since compilation Low
Industrials	10173.84	10197.70	10085.31	10197.70 (8/4)	9120.67 (22/1)	10197.70 (8/4/99)	41.22 (8/7/32)
Home Bonds	104.51	104.40	104.08	106.88 (13/1)	103.95 (1/4)	107.17 (8/12/98)	54.99 (1/10/81)
Transport	3370.40	3329.40	3338.87	3433.07 (18/3)	3063.80 (22/1)	3688.82 (15/4/98)	13.23 (8/7/32)
Utilities	298.33	287.11	282.37	311.91 (4/1)	288.44 (12/2)	320.51 (8/10/98)	10.53 (8/7/32)

DJ Ind. Day's high 10282.62 Low 10060.03 (Theoretical) Day's high 10212.15 (10208.08) Low 10094.47 (10059.78) (Actual)

Standard and Poors	Apr 9	Apr 8	Apr 7	1999 High	1999 Low	Since compilation High	Since compilation Low
Composite	1348.35	1343.98	1326.89	1348.35 (9/4)	1212.19 (14/1)	1348.35 (9/4/99)	4.40 (1/6/32)
Industrials	1622.34	1616.89	1597.20	1622.34 (9/4)	1461.72 (14/1)	1622.34 (9/4/99)	3.52 (30/6/32)
Financial	147.53	147.06	144.87	147.88 (9/4)	123.72 (9/2)	147.88 (14/7/98)	7.13 (4/9/74)
Others							
NYSE Comp.	628.59	624.28	618.23	628.59 (9/4)	576.82 (9/2)	628.59 (9/4/99)	4.84 (25/4/42)
Amex Comp	727.50	721.93	717.30	727.50 (9/4)	683.61 (4/1)	753.87 (22/4/98)	524.20 (16/7/96)
NASDAQ Cmp	2593.05	2573.30	2544.43	2593.05 (9/4)	2208.05 (4/1)	2598.85 (9/4/99)	54.87 (3/10/74)
Russell 2000	405.88	399.89	397.77	433.13 (11/1)	383.37 (23/3)	491.41 (21/4/98)	123.36 (7/12/92)

RATIOS

	Mar 26	Mar 19	Mar 12	Year ago
Dow Jones Ind. Div. Yield	1.61	1.60	1.60	1.30
	Apr 7	Mar 31	Mar 24	Year ago
S & P Ind. Div. yield	1.07	1.11	1.13	1.33
S & P Ind. P/E ratio	41.83	40.38	39.72	30.27

US DATA

MARKET ACTIVITY

Volume (million)	Apr 9	Apr 8	Apr 7
NYSE	712.040	843.953	816.410
Amex	26.989	31.728	34.146
NASDAQ	1097.282	1150.60	1279.39

NYSE	Apr 9	Apr 8	Apr 7
Issues Traded	3,348	3,558	3,549
Rises	1,698	1,702	1,781
Falls	1,274	1,281	1,800
Unchanged	376	585	567
New Highs	96	83	69
New Lows	84	132	119

NYSE TRADING ACTIVITY

Volume : 712,040,000

ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
AmOnLne	13,985,800	159⅞	−⅜
Compaq	13,304,200	30⅝	+1¼
PhMorr	12,459,800	36⅝	+¾
TycoIn	9,618,000	74⅞	+3¾
AT&T	8,610,700	85¼	+1⅜
LucentTch	7,821,200	69⅞	−⅛
Citgrp	7,132,400	73⅞	+⅞
Disney	5,847,500	34¼	+⅜
WasPhn	5,799,800	44⅞	+¾
Merck	5,289,200	83⅞	+1⅜

BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Marchmt	18⅞	+2⅝	+16.1
Daeida Ltd	19⅝	+2⅜	+14.1
Comdisco	22⅞	+2⅝	+13.8
BayView	18¼	+2	+12.3
Downs			
Seagte	26⅛	−2⅜	−8.1
McCarh	40⅛	−3⅝	−8.4
STERIS	24⅛	−1⅝	−8.0
Autozone	11⅞	−⅞	−6.8

NASDAQ TRADING ACTIVITY

Volume :1,097,282,000

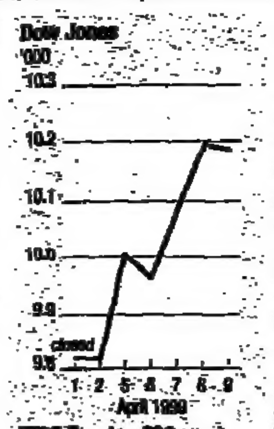
ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Oracle	37,582,600	25⅞	+2⅛
DellCmp	23,128,800	43⅞	−1⅛
Micsft	15,884,700	94⅜	−⅛
MediaAs	15,144,100	16⅛	+1⅛
Aspire Co	13,288,200	15⅛	+2⅜
SunMic	13,042,000	70¼	−1⅛
Intel	10,951,300	130⅞	−⅛
MCIWcm	10,811,400	90⅞	+2⅜
3Com	9,315,900	22¼	+1⅛
Cmpwre	8,101,700	21	+2

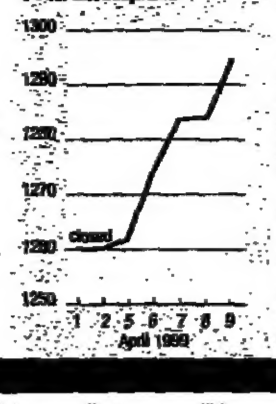
BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Verio	66⅞	+19	+40.0
IgBcrx	78⅞	+19⅞	+33.8
Evans Sth	17⅞	+3⅞	+28.2
Inktomi Cp	132⅛	+27⅛	+26.3
Downs			
Corvas	12⅞	−2⅝	−17.8
TV Guide	37¼	−7⅛	−16.2
USWeb Cp	31⅜	−5⅝	−15.5
SanDisk	30	−3⅜	−14.0

Dow Jones
'000



FTSE Eurotop 300



JAPAN

	Apr 9	Apr 8	Apr 7	1999 High	1999 Low	Since compilation High	Since compilation Low
Nikkei 225	16855.05	16946.66	16554.50	16985.43	13232.74	38915.9	85.25

Day's high: 17186.00. Day's low: 16827.83.

TOKYO TRADING ACTIVITY

Volume : 1,236,550,000

ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
NKK	40,702,000	90	+5
Kocho	28,373,000	351	+38
Nishoiw	24,167,000	138	+18
JGC	18,614,000	344	+31
Toshiba	16,890,000	670	−8
FujiBk	15,858,000	803	+5
KobeSt	15,598,000	112	+5
NpStl	14,851,000	281	−8
SumMt	14,717,000	185	+2
Mitsubl	14,228,000	294	+34

BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
JpStell	428	+56	+13.3
Kocho	351	+38	+12.1
Nishoiw	138	+13	+10.3
Jusco	2570	+250	+10.8
Downs			
MochPh	980	−100	−9.4
TkStl	888	−82	−8.5
MitGsCh	345	−27	−7.3
Denso	3410	−180	−8.8

FRANCE

	Apr 9	Apr 8	Apr 7	1999 High	1999 Low	Since compilation High	Since compilation Low
CAC 40	4363.14	4330.70	4318.04	4363.14	3856.72	4388.48	984.81

Day's high: 4416.00. Day's low: 4342.64.

PARIS TRADING ACTIVITY

Volume : 1,014,551,899

ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Usinor	2,060,679	13.68	+0.17
FrTele	1,888,898	81.3	−1.85
BNP	1,320,047	75.55	+2.85
RhonePR	1,258,980	43.1	+1.7
Schndr	1,227,741	54	+3.5
Alcatel	1,188,391	115.7	+5.6
CCF	1,145,507	88	+1.1
ElfAqu	1,078,872	124.1	+0.1
Renault	958,725	33.7	+1.01
Axa	853,410	129.3	

BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Technip	97.9	+8.9	+10.0
GrdVsn	25.89	+1.99	+8.3
Schndr	54	+3.5	+6.9
Equant	86.3	+5.05	+6.3
Downs			
BIC	46.9	−3.1	−6.2
SodxAl	146.2	−6.8	−4.5
Printpz	69.45	−2.15	−3.0
Pathe	239.1	−6.7	−2.8

GERMANY

	Apr 9	Apr 8	Apr 7	1999 High	1999 Low	Since compilation High	Since compilation Low
DAX	5124.18	5088.75	5052.27	5448.62	4678.72	6171.43	931.18

Day's high: 5178.02. Day's low: 5103.82.

FRANKFURT TRADING ACTIVITY

Volume : 15,080,852

ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
BASF	880,197	38.4	+2.1
Bayer	551,429	37.65	+1.15
Cmrzbk	508,975	29.8	
DaimCh	413,725	87.5	+2
Lufthn	401,288	21.58	+0.15
Dt Bk	358,779	48.85	+2.58
ThyKrp	358,716	18.98	−0.42
Siemns	330,976	62.8	−0.7
DrsdBk	298,881	38.1	+0.4
RWE	267,868	44.4	+0.9

BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
SGLCar	50.8	+5.95	+13.2
KolbS	377	+37	+10.9
Metro	34.5	+2.3	+7.1
BASF	38.4	+2.1	+5.8
Downs			
HeidDrk	23.3	−1.2	−4.9
SchwPh	58	−2.5	−4.8
H'chst	42	−1.85	−4.2
JungPf	11.6	−0.5	−4.1

UK

	Apr 9	Apr 8	Apr 7	1999 High	1999 Low	Since compilation High	Since compilation Low
FTSE 100	6472.8	6437.9	6473.2	6473.20	5770.20	6473.2	986.9

Day's high: 6512.1. Day's low: 6416.5.

LONDON TRADING ACTIVITY

Volume : 1,102,100,000

ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Shell	43,039,540	409¾	+3¾
Tesco	34,472,670	157¾	−1
Ascentia	28,858,770	55½	+6
ASDA	24,788,650	148	−1
BTR Siebe	22,697,740	299¼	+8¼
BP Amoco	15,720,830	1044½	+29
Arjo Wiggins	13,436,850	163½	+18½
Wimpey (G)	11,464,520	183½	+4½
Unilever	11,345,740	587½	+8
GEC	10,715,400	590½	+10

BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
TRACKER	645	+120	+22.9
Parkwood	18	+3½	+22.8
Jardinerie	45	+7½	+20.0
Mouncastel	61½	+10	+19.4
Downs			
Booth Inds	30½	−9	−22.8
WF Electrical	485	−107½	−18.1
Desire Ptrls	27½	−6	−17.9
Enterprise VCT	65½	−12	−15.5

INDEX FUTURES

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
S&P 500							
Jun	1355.40	1358.20	+2.90	1382.50	1344.00	102,534	368,914
Sep	1364.00	1371.10	+2.70	1375.00	1358.00	120	4,986
Nikkei 225							
Jun	17020.0	16850.0	+70.0	17150.0	16820.0	56,372	210,425
Sep	16810.0	17080.0	+250.0	17080.0	16810.0	53	5,447

Open interest figures for previous day.

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
CAC-40 (200 x index)							
Mar	4426.0	4377.0	+38.0	4428.0	4346.0	76,543	110,140
Apr	4382.0	4385.0	+38.0	4382.0	4370.0	20	484
DAX							
Jun	5140.0	5172.0	+87.0	5194.0	5110.0	83,585	305,433
Sep	5178.0	5205.0	+51.0	5209.0	5181.0	231	1,175
OMX							
Apr	775.00	786.00	+1.00	779.00	764.00	33,851	110,519
May	772.75	783.75	+1.25	775.00	782.50	2,047	3,401
EUREX							
Jun	7312.0	7333.0	+53.0	7375.0	7308.0	30,380	104,127
Sep	7384.0	7348.0	+93.0	7378.0	7349.0	42	3,857

WORLD MARKETS AT A GLANCE

Country	Index	Apr 9	Apr 8	Apr 7	1999 High	1999 Low	Yield	P/E
Portugal	BVL 30	4769.71	4755.92	4727.36	5258.85 6/1	4370.85 18/3	2.15	26
	PSI 20	11014.34	10980.13	10918.86	12120.85 6/1	10063.08 18/3		
Russia	RTS	56.88	70.89	72.98	99.02 17/3	64.48 28/1	na	na

Investors took fright at Moscow toughened language on Kosovo. Market heavyweight EDP ended flat.

Shares plummeted after authorities sparked fear of conflict with western power by stepping up anti-Nato rhetoric.

THE NASDAQ-AMEX MARKET GROUP

4 pm close April 9

AMEX

4 pm close April 9

EASDAQ

FT GUIDE TO THE WEEK

MONDAY 12

Packed parliament

A week-long session of the European Parliament in Strasbourg is certain to be dominated by events in Kosovo and the nomination of Romano Prodi as president of the European Commission. But with only two part-sessions left before the European elections, MEPs will also be trying to clear a big backlog of legislation – 60 reports are listed for debate. Prodi will address MEPs on Tuesday following his nomination by European Union leaders at the recent Berlin summit; the parliament will vote on his appointment next month. Gerhard Schröder, the German chancellor, will brief parliament on the summit and the Agenda 2000 package of reforms for EU finances and future enlargement on Tuesday. Proposals to extend the working time directive to cover junior doctors, offshore oil workers, fishermen and transport workers will receive a first reading, and the parliament's environment and agriculture committees will deliver a report warning that the BSE crisis is not over.

SPD special meeting

Gerhard Schröder, the German chancellor, addresses a special conference in Bonn of his Social Democratic party. The emergency session was called initially to confirm Mr Schröder as party chairman following last month's resignation of Oskar Lafontaine. But the debate is expected to be dominated by Germany's active role in the Kosovo conflict, which has angered left-wingers in the SPD. The Bundestag will debate Kosovo on Thursday.

Nato emergency session

An emergency session of North Atlantic Council foreign ministers is scheduled to be held at Nato headquarters in Brussels to discuss the refugee problem on the borders of Kosovo and Nato's military strategy in the region.

Pulitzer announcement

Winners of the Pulitzer prize will be announced at the University of Columbia in New York. There are 21 categories covering journalism, literature, music and theatre.

Sustainable development

The United Nations Commission on Sustainable Development meets in New York, where there will be talks to prepare for a special UN session of small island nations in September. Small island developing nations are especially vulnerable to environmental problems if they allow short-term economic needs to dominate their planning.

Russia's pro-Serb sentiments seem likely to increase Nato's reluctance to commit ground forces to a military resolution of the Kosovo crisis

Banana ruling

The World Trade Organisation will deliver its verdict on the dispute between the European Union and the US over favourable terms for Caribbean banana growers. The US is claiming compensation of $520m and, in the meantime, has imposed 100 per cent import duties on some EU goods.

Holidays

Egypt, Lebanon, Bosnia, Bulgaria, Cyprus, Georgia, Greece, Macedonia.

TUESDAY 13

Pause for reflection ends

The Northern Ireland peace talks, aimed at establishing a joint ruling executive, are scheduled to resume. They were adjourned on April 1 by Tony Blair, the UK prime minister, and Bertie Ahern, the Irish taoiseach, to allow for a "short pause for reflection" over the problem of decommissioning terrorist arms.

Shoppers' charter

The European Union's Consumer Affairs Council meets in Luxembourg to approve a revised version of the European Commission's 1996 proposal for harmonised rules on shoppers' rights. The draft directive lays down uniform conditions under which consumers will be able to seek redress for faulty products.

FT Survey

Tuscany.

Holidays

Sri Lanka, Thailand.

WEDNESDAY 14

Leadership deadline

World Trade Organisation members should have elected a new leader by today. Attempts to appoint a successor to Renato Ruggiero have dragged on for almost six months, and talks broke down recently when members split over the last two realistic candidates, Supachai Panitchpakdi of Thailand and Mike Moore of New Zealand. Allegations have been made that the US interfered with a fair selection by threatening a veto if Panitchpakdi was selected.

Prodi's plans

European Union leaders meet in Brussels to discuss European Commission reforms to be proposed by president-designate Romano Prodi.

World Bank discussions

James Wolfensohn, president of the World Bank, visits Moscow for talks with Yevgeny Primakov, Russia's prime minister, government officials and business leaders. A planned meeting in Washington was postponed when Primakov returned to Moscow as Nato launched air attacks on the Federal Republic of Yugoslavia.

Economic values

The World Economic Forum holds its annual US meeting in Washington (to April 17). The meeting, to be held in collaboration with the US Chamber of Commerce, is expected to focus on the impact of political instability on US markets, the Asia crisis, the projected US budget surplus and the impact of the euro.

Holidays

Bangladesh, India, Thailand.

THURSDAY 15

Algerian poll

Presidential elections are held in Algeria to decide the successor to president Liamine Zeroual, who will step down this month, 19 months before the end of his term. Sid Ahmed Ghozali, former prime minister, is expected to stand, while the army is backing Abdelaziz Bouteflika, former foreign minister. Other candidates include Mouloud Hamrouche, former prime minister, Ahmed Taleb Ibrahimi, former foreign minister, and Mahfoud Nahnah, who leads the Movement for a Peaceful Society.

Asking for the moon

Christie's, the London auction house, will offer a tiny piece of the moon. The three-quarter-inch lunar chunk, which fell to earth in 1997, is expected to fetch up to £12,000. It comes from one of the largest moon meteorites, the 513 gramme Dar Al Gani 262, found in the Sahara.

FT Surveys

Danish Banking and Finance; World Energy Review.

Holiday

Thailand.

FRIDAY 16

Island trade talks

Leaders of 25 nations in the Caribbean Basin are meeting for two days in the Dominican Republic to discuss the creation of a regional free trade area to help the region's small economies prepare for the Free Trade Area of the Americas, which is expected to be established in 2005. The governments want to improve transport links within the region in an attempt to increase trade among Caribbean countries. It will be the second summit of the group, the Association of Caribbean States, which also includes 15 dependent territories in the region.

FT Survey

Australia as a Financial Centre.

Holiday

Syria.

SATURDAY 17

EBRD preparations

Country presentations and seminars are made in London before formal sessions of the annual meeting of the European Bank for Reconstruction and Development on April 19 and 20.

Cherry blossom time

Keizo Obuchi, Japan's prime minister, hosts an annual cherry blossom viewing party at Shinjuku Gyoen national garden in Tokyo. He has sent 12,000 invitations to people including

ambassadors, ministers, soccer players and actors. The guests will walk along an avenue of cherry trees while a brass band plays.

Holidays

India, Indonesia, Malaysia, Algeria, Bahrain*, Egypt*, Kuwait*, Lebanon*, Morocco*, Oman*, Syria, Tunisia*, United Arab Emirates*.

SUNDAY 18

Turkey double poll

Turkish general and local elections are held.

Referendum

Switzerland votes in a referendum on a proposed new constitution.

Voting on the vote

Italians vote in a referendum on whether to scrap the proportional representation element of their complicated electoral system.

Holiday

Zimbabwe.

Depending on sighting of the moon.

Compiled by Roger Beale
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ECONOMIC DIARY

Other economic news

Monday: German industrial production is likely to show a monthly increase of 0.7 per cent in January and a rise of 0.5 per cent in February. Both sets of figures are being released at the same time due to a change in the collection method. The French consumer price index may have risen 0.2 per cent in March, compared with 0.3 per cent the previous month.
Tuesday: A rise in energy prices is thought to have lifted the US headline consumer price index by 0.3 per cent in March, according to HSBC. However, the core rate is expected to remain at 0.2 per cent on a monthly basis. US retail sales, meanwhile, are believed to have risen by 0.5 per cent in March, driven higher by surging sales of motor vehicles. The UK British Retail Consortium survey is likely to show an annual increase of 2 per cent in retail sales volumes in March, compared with 1.3 per cent in February.
Friday: US industrial production is thought to have risen 0.2 per cent in March from the previous month.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Germany	Jan industrial production (pan)*	0.7%	0.6%
Apr 12	Germany	Jan manufacturing output (pan)*	0.3%	1.2%
	Germany	Jan ind production (west German)*		1.2%
	Germany	Jan ind production (east German)*		-4.7%
	Germany	Feb industrial production (pan)*	0.2%	
	Germany	Feb manufactured output (pan)*	0.3%	
	France	Mar CPI preliminary*	0.2%	0.3%
	France	Mar CPI preliminary**	0.2%	0.2%
	Emu	Q4 GDP revised***	0.2%	0.7%
	Emu	Q4 GDP revised**	2.4%	2.9%
	Canada	Mar housing starts	145,000	144,000
	Canada	Feb department store sales*	1.5%	4.8%
	UK	Mar BRC retail survey**		1.3%
Tue	Germany	Feb trade balance	€4.3bn	€4.5bn
Apr 13	US	Mar retail sales	0.4%	0.9%
	US	Mar retail sales ex-auto	0.5%	0.6%
	US	Mar CPI	0.3%	0.1%
	US	Mar CPI ex-food & energy	0.2%	0.1%
	US	Mar Atlanta Federal Index		12.7%
	US	BTM-Schroders, April 10		0.9%
	US	Mar real earnings		0.7%
	US	Redbook, April 10		0.8%
Wed	US	Feb business inventories		unch
Apr 14	Japan	Feb current account	Y180bn	Y1,640bn
	Japan	Feb trade balance		Y1,490bn
	Japan	Feb foreign bond investment		-Y475bn
	Germany	Feb retail sales, real**	-2.0%	-2.6%
	Germany	Feb retail sales, real†*		5.5%
Thu	US	Initial claims, April 10	295,000	299,000
Apr 15	US	State benefits, April 3		2,156,000
	US	Apr Philadelphia Federal Index	12.0	10.4
	US	M1 – week ended April 5	$3.5bn	$7.1bn
	US	M2 – week ended April 5	-$1.5bn	$8.8bn
	US	M3 – week ended April 5	-$1.0bn	$8.6bn
	US	Mar monthly M1	$10.3bn	$1.7bn
	US	Mar monthly M2	$9.6bn	$21.1bn
	US	Mar monthly M3	-$13.8bn	$52.0bn
Fri	US	Mar housing starts	1.75m	1.80m
Apr 16	US	Mar building permits		1.75m
	US	Mar industrial production	0.2%	0.2%
	US	Mar capacity utilisation	80.2%	80.3%
	US	Apr Michigan Sentiment Pre	106.0	105.7
During the week...				
	Ne'lands	Feb retail sales nom**		-1.6%
	Brazil	Feb IBGE industrial production**	-5.5%	-3.6%
	Germany	Feb capital account		-€31.8bn
	Germany	Feb foreign bond purchases		€8.1bn
	Japan	Mar Tokyo department store sales**		-3.4%
	Japan	Mar trade balance (customs cleared)		Y1,240bn

*month on month. **year on year, ***q on q. †seasonally adjusted *Statistics, courtesy Standard & Poor's MMS.*

MONDAY PRIZE CROSSWORD

No.9,959 Set by ADAMANT

A prize of a Tombow Lucca fountain pen and rollerball set, worth £125, will be awarded for the first correct solution opened. Solutions by Thursday April 22, marked Monday Crossword 9,959 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday April 26. Please allow 28 days for delivery of prizes.

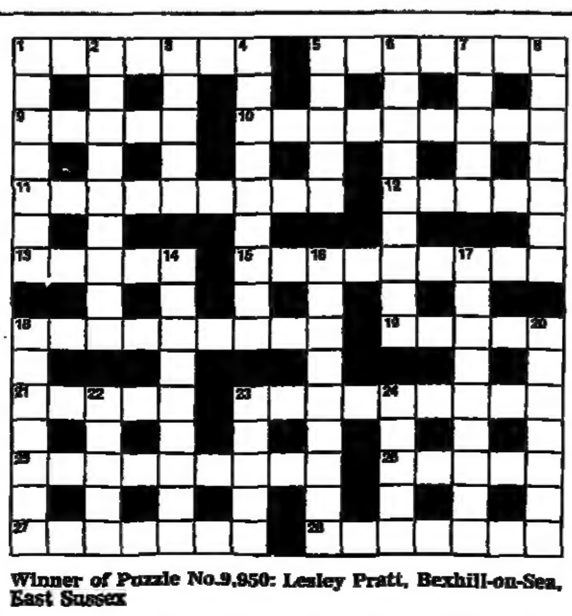
Name.......................................
Address....................................

ACROSS

1 Walks over younger man, relatively speaking (7)
5 Lawman is coming back about her two fellows (7)
9 First class! Fast off, but will do better (5)
10 Time to start recruiting old Scot – to play Macbeth? (9)
11 Left to put car away for rich power broker (9)
12 Classic boat on new gas (5)
13 Discourage creatures crossing end of street (5)
15 Get rid of eastern border round North America and Europe (9)
18 City leader may be caught between god and gold (4,5)
19 Held the same opinion on getting rid of a deadly sin (5)
21 Second man to take part in the Generation Game? (5)
23 Building up the spectators at football and theatre (9)
25 Flirt with lover about four (9)
26 Classic farewells in the Lowlands (5)
27 When Leo starts selling shares (7)
28 Made late youth leader and journalist follow bad deal (7)

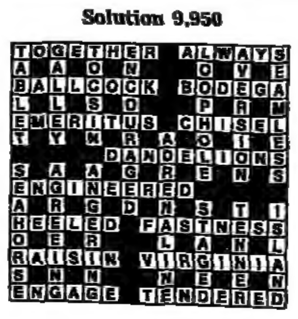
DOWN

1 Rushed round wooden peg, getting drenched (7)
2 Come across English sergeant under German (9)
3 Oval's damaged in concentrated fire (5)
4 Notice non-conservative Tory machinations bringing ill repute (9)
5 Begin painting on the street (5)
6 Raising tax popular? Don't finish the sad song about it (9)
7 The public in general like some decoration (5)
8 Someone hoping to marry needs investment of new money (7)
14 Deciding to try another day (9)
16 Cross about arid, trite work (9)
17 As former partner, you are heard to join forces in a platonic way (9)
18 Food can be a snag, cooked in the city (7)
20 Doctor sees about getting daughter clothed (7)
22 A sailor came up with the maps (5)
23 It can reflect on a good girl (5)



Winner of Puzzle No.9,950: Lesley Pratt, Bexhill-on-Sea, East Sussex

Solution 9,950



JOTTER PAD